

Ionia County, Michigan
FINANCIAL STATEMENTS
December 31, 2007

Ionia County, Michigan

December 31, 2007

BOARD OF COMMISSIONERS

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Shawn Seal	Commissioner
Lynn Mason	Commissioner
Amanda Powell	Commissioner
Jack Shattuck	Commissioner
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ADMINISTRATION AND OTHER ELECTED OFFICIALS

Mark Howe	Administrator
Nancy Hickey	Treasurer
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Diane Adams	Register of Deeds
John Bush	Drain Commissioner
Ronald J. Schafer	Prosecuting Attorney
Dwain Dennis	Sheriff

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Ionia County
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Ionia County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ionia County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ionia County Road Commission, which represents 84% of the total assets and 92% of the total revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Ionia County, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008 on our consideration of Ionia County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ionia County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Ionia, we offer this narrative overview and analysis of the financial activities of the County of Ionia for the fiscal year ended December 31, 2007. The purpose of this overview and discussion is to provide a narrative insight into the financial structure and position of the County of Ionia. This Discussion and Analysis should be read in conjunction with the financial statements contained herein.

HIGHLIGHTS

Financial Highlights

- * Net Assets of the County of Ionia increased by 1.69 percent during 2007, showing steady growth in the face of declining revenues.
- * The ratio of Current Assets to Current Liabilities is over 11 to 1.
- * The current debt load for Ionia County is less than eight percent of that which is allowable by state law. There is significant capacity for Ionia County to incur additional debt.

USING THIS REPORT

As stated above, this discussion and analysis is intended to serve as an introduction to the County of Ionia basic financial statements. The basic financial statements have three components: *Government-Wide Financial Statements*; *Fund Financial Statements*; and *Notes to Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

Government-Wide Financial Statements are intended to report information about the County as a whole using accounting methods similar to those used in the private sector. The *Government-Wide Financial Statements* are used to provide a long-term view of the financial stability of the County and are divided into the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* includes all of the County of Ionia's Assets and Liabilities. The difference between Assets and Liabilities is reported as Net Assets. Over time, increases or decreases in Net Assets may serve as a useful indicator of the financial position of the County of Ionia.

The *Statement of Activities* provides summary information regarding the revenue and expenses relating to specific programs within the County of Ionia.

Both of the *Government-Wide Financial Statements* distinguish functions of Ionia County that are principally supported by taxes and intergovernmental revenues (*Governmental-Type Activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-Type Activities*). The *Governmental-Type Activities* for Ionia County are combined into program areas such as General Government, Public Safety, Public Works, Health & Welfare, Community & Economic Development, Recreation & Culture and Other Activities. The *Business-Type Activities* include the Delinquent Tax Revolving Fund and the Airport Fund, both of which are Enterprise Funds.

The *Government-Wide Financial Statements* include the activities for the County of Ionia and three legally separate entities for which the County of Ionia is financially accountable: the Ionia County Road Commission, County Drainage Districts, and the Brownfield Redevelopment Authority. These activities are known as *Component Units*, because they are reported in the County of Ionia financial statements, but are not combined with total figures for County finances.

Fund Financial Statements

A *Fund* is used to group related accounts to maintain control over resources that have been segregated for specific activities or objectives. Ionia County, as with other state and local units of government, uses fund accounting to control and manage resources for particular purposes and to ensure compliance with finance-related legal requirements. All of the Funds of Ionia County can be grouped into three categories: *Governmental Funds*, *Proprietary Funds*, and *Fiduciary Funds*.

Governmental Funds: *Governmental Funds* are used to account for a majority of the basic services provided by the County, essentially those same functions reported as Governmental Activities under the Government-Wide Financial Statements. The Governmental Fund Financial Statements, however, focus on the short-term financial position, such as how cash and assets can be converted into cash flow and what balances remain at the end of a fiscal year for spending.

Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *Governmental Activities* in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison.

The County of Ionia maintains several individual *Governmental Funds*. The General Fund is the primary fund used to account for main activities of the County of Ionia. Of special note is that activities for the operation of Parks & Recreation, Friend of the Court, Public Health, Resource Recovery, Building Inspector, Central Dispatch, Commission on Aging, and Courts Security are contained within the Other Governmental Funds.

The County of Ionia adopts an annual budget for its General Fund, Special Revenue Funds and the Airport Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds: The County of Ionia maintains two different types of proprietary funds: *Enterprise and Internal Service*. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the *Government-Wide Financial Statements*. The County of Ionia uses enterprise funds to account for its Delinquent Tax Revolving and Airport activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County of Ionia uses no *Internal Service Funds*.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of those funds are not available to support the County of Ionia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements: The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL INFORMATION AND ANALYSIS

As noted earlier, Net Assets may serve over time as a useful indicator of a government's financial position. During the current period, the County of Ionia experienced a 1.69 percent increase in Net Assets for a total of \$21.795 million. The increase in Net Assets occurred during a period of declining revenue offset by declining expenditures.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2006	2007	2006	2007	2006	2007	
Assets							
<i>Current Assets</i>							
Cash	\$ 4,615,447	\$ 8,856,442	\$ 1,059,086	\$ 1,666,346	\$ 5,674,533	\$ 10,522,788	85.44%
Investments	\$ 5,108,367	\$ 2,844,519	\$ 1,733,633	\$ 1,398,156	\$ 6,842,000	\$ 4,242,675	-37.99%
Other Assets	\$ 17,447,345	\$ 15,107,072	\$ 1,374,558	\$ 1,430,220	\$ 18,821,903	\$ 16,537,292	-12.14%
<i>Non-Current Assets</i>							
Capital Assets	\$ 5,950,141	\$ 5,757,486	\$ 1,159,517	\$ 1,044,148	\$ 7,109,658	\$ 6,801,634	-4.33%
Total Assets	\$ 33,121,300	\$ 32,565,519	\$ 5,326,794	\$ 5,538,870	\$ 38,448,094	\$ 38,104,389	-0.89%
Liabilities							
<i>Current Liabilities</i>	\$ 2,283,594	\$ 2,270,206	\$ 1,522	\$ 452	\$ 2,285,116	\$ 2,270,658	-0.63%
<i>Non-Current Liabilities</i>							
Bonds & Notes Payable	\$ 13,935,521	\$ 13,185,000	\$ -	\$ -	\$ 13,935,521	\$ 13,185,000	-5.39%
Accrued Sick & Vacation Pay	\$ 794,135	\$ 853,077	\$ -	\$ -	\$ 794,135	\$ 853,077	7.42%
Total Liabilities	\$ 17,013,250	\$ 16,308,283	\$ 1,522	\$ 452	\$ 17,014,772	\$ 16,308,735	-4.15%
Net Assets							
Invested in capital, Net of Debt	\$ 5,495,141	\$ 5,362,486	\$ 1,159,517	\$ 1,044,148	\$ 6,654,658	\$ 6,406,634	-3.73%
Restricted	\$ 3,337,392	\$ 2,437,106	\$ -	\$ -	\$ 3,337,392	\$ 2,437,106	100.00%
Unrestricted	\$ 7,275,517	\$ 8,457,644	\$ 4,165,755	\$ 4,494,270	\$ 11,441,272	\$ 12,951,914	13.20%
Total Net Assets	\$ 16,108,050	\$ 16,257,236	\$ 5,325,272	\$ 5,538,418	\$ 21,433,322	\$ 21,795,654	1.69%

A further breakdown of the County of Ionia's \$21.795 million in Net Assets, and the change in Net Assets during 2007, is shown in the following table.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2006	2007	2006	2007	2006	2007	
Revenue:							
Program Revenue							
Charges for Services	\$ 4,786,427	\$ 4,779,767	\$ 615,358	\$ 894,149	\$ 5,401,785	\$ 5,673,916	5.04%
Operating Grants & Contributions	\$ 5,406,031	\$ 4,662,714	\$ -	\$ 3,346	\$ 5,406,031	\$ 4,666,060	-13.69%
Capital Grants & Contributions	\$ 915,000	\$ 181,562	\$ -	\$ -	\$ 915,000	\$ 181,562	0.00%
General Revenue							
Property Taxes	\$ 8,527,236	\$ 7,470,718	\$ -	\$ -	\$ 8,527,236	\$ 7,470,718	-12.39%
Other	\$ 2,163,185	\$ 1,895,071	\$ 120,051	\$ 2,114	\$ 2,283,236	\$ 1,897,185	-16.91%
Total Revenue	\$ 21,797,879	\$ 18,989,832	\$ 735,409	\$ 899,609	\$ 22,533,288	\$ 19,889,441	-11.73%
Expenses:							
General Government	\$ 6,649,753	\$ 6,918,613			\$ 6,649,753	\$ 6,918,613	4.04%
Public Safety	\$ 6,841,055	\$ 6,103,876			\$ 6,841,055	\$ 6,103,876	-10.78%
Public Works	\$ 2,976,967	\$ 680,187			\$ 2,976,967	\$ 680,187	100.00%
Health & Welfare	\$ 5,052,093	\$ 4,550,219			\$ 5,052,093	\$ 4,550,219	-9.93%
Other	\$ 511,934	\$ 285,395			\$ 511,934	\$ 285,395	-44.25%
Interest on Long-Term Debt	\$ 530,628	\$ 713,356			\$ 530,628	\$ 713,356	34.44%
Delinquent Tax Revolving			\$ 55,373	\$ 111,426	\$ 55,373	\$ 111,426	101.23%
Airport			\$ 148,439	\$ 164,037	\$ 148,439	\$ 164,037	10.51%
Total Expenses	\$ 22,562,430	\$ 19,251,646	\$ 203,812	\$ 275,463	\$ 22,766,242	\$ 19,527,109	-14.23%
Increase (Decrease) before Transfers	\$ (764,551)	\$ (261,814)	\$ 531,597	\$ 624,146	\$ (232,954)	\$ 362,332	-255.54%
Transfers	\$ 3,476,000	\$ 411,000	\$ (3,476,000)	\$ (411,000)	\$ -	\$ -	0.00%
Increase (Decrease) of Net Assets	\$ 2,711,449	\$ 149,186	\$ (2,944,403)	\$ 213,146	\$ (232,954)	\$ 362,332	-255.54%
Net Assets, January 1	\$ 16,434,448	\$ 16,108,050	\$ 8,269,675	\$ 5,325,272	\$ 24,704,123	\$ 21,433,322	-13.24%
Prior Period Adjustments	\$ (3,037,847)	\$ -	\$ -	\$ -	\$ (3,037,847)	\$ -	-100.00%
Net Assets, December 31	\$ 16,108,050	\$ 16,257,236	\$ 5,325,272	\$ 5,538,418	\$ 21,433,322	\$ 21,795,654	1.69%

This table perhaps more appropriately illustrates the decline in both revenue and expenses with additional detail.

ANALYSIS OF INDIVIDUAL FUNDS

The County of Ionia uses fund accounting in order to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Most governmental activities are accounted for in the General Fund, although some governmental activities, particularly those with a dedicated source of revenue, are accounted for in Special Revenue Funds.

The focus of these Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources.

The chief operating fund of the County of Ionia, the General Fund, finished with a balance of \$3.6 million. Of this, \$2.69 million is considered unreserved, which means it is available for spending at the government's discretion. A common financial management practice is to designate a portion of fund balance toward maintaining current services during unexpected, catastrophic events. A common suggested benchmark is 15 to 20 percent of expenditures (including transfers to other funds), or about two months of services. At \$2.69 million, the Unreserved Fund Balance in the General Fund represents a 23 percent Unreserved Fund Balance.

The County of Ionia has made significant improvements in its financial practices in order to account for unexpected catastrophic events. During the 2006 Fiscal Year, the County of Ionia made significant transfers among funds to set appropriate Unreserved Fund Balances in each fund. This action was underscored by an April 30, 2007, letter from the Michigan Department of Treasury discussing Fiscal Distress Indicators and its work with the Institute for Public Policy and Social Research at Michigan State University. Through its work, the Department of Treasury identified nine Fiscal Distress Indicators to determine the degree, or absence, of fiscal distress in units of local government. According to the Michigan Department of Treasury, the only fiscal distress indicator of concern in Ionia County was its Fund Balance in the General Fund, which was at 8 percent in 2005.

In our 2006 Management Discussion and Analysis, we concluded that: *"Our adjustment in 2006 should ensure that future evaluation of the fiscal health of Ionia County will result in positive reviews."*

This certainly became reality when our financial stability was recently recognized by Standard and Poor's with an increase in our bond rating from an A- to an A+. According to Standard and Poor's, "Ionia County's financial position has been strong ..." and "deems Ionia County's financial management practices are "good" under its Financial Management Assessment."

Proprietary Funds: The County of Ionia's proprietary funds provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail.

The Delinquent Tax Revolving Fund is used for the administration of delinquent tax payments to local units of government, and the collection of payments and penalties from delinquent taxpayers. The County of Ionia uses interest earned from the Delinquent Tax Revolving Fund to finance various capital and other projects. Interest is earned on the fund through investments, but also from penalties assessed to delinquent taxpayers.

The Airport Fund is used to maintain the Ionia County Airport. Some grant-related activity flows through the Airport Fund, such as payments to the Michigan Department of Transportation, Bureau of Aeronautics, as match money for federal/state airport improvement grants. The Ionia County Airport receives \$150,000 annually from the federal government for airport improvement projects. The County must match five percent.

BUDGET VARIANCE ANALYSIS

There are no significant revenue or expenditure variances to report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County of Ionia's investment in Fixed (Capital) Assets was as follows:

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2006	2007	2006	2007	2006	2007	
Non-Depreciated Assets							
Land	\$ 331,075	\$ 331,075	\$ 210,060	\$ 210,060	\$ 541,135	\$ 541,135	0.00%
Depreciated Assets							
Buildings & Improvements	\$ 7,647,269	\$ 7,694,741	\$ 1,885,170	\$ 1,885,170	\$ 9,532,439	\$ 9,579,911	0.50%
Equipment & Furniture	\$ 807,251	\$ 940,289	\$ 4,016	\$ 4,016	\$ 811,267	\$ 944,305	16.40%
Vehicles	\$ 839,227	\$ 850,586	\$ 4,016	\$ -	\$ 843,243	\$ 850,586	0.87%
Less: Accumulated Depreciation	\$ 3,674,681	\$ 4,059,205	\$ 939,729	\$ 1,055,098	\$ 4,614,410	\$ 5,114,303	10.83%
Net Capital Assets	\$ 5,950,141	\$ 5,757,486	\$ 1,163,533	\$ 1,044,148	\$ 7,113,674	\$ 6,801,634	-4.39%

The County of Ionia had \$17.1 million in outstanding debt at the end of 2007, a reduction of \$2.2 million over the prior year. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). This would allow the County of Ionia to issue debt in the amount of approximately \$200 million. *Ionia County's current debt load is less than eight percent of the allowable limit imposed by state law.*

The County of Ionia has been able to leverage its tax base and bond rating to the benefit of its local units of government, particularly the Ionia Area Sewage Disposal System, the City of Ionia, and the Ionia County Road Commission.

The County of Ionia's only outstanding obligation that is not paid by a benefiting entity is the \$395,000 Building Authority bond that was issued to construct the Health Building.

	Gross Debt Outstanding	Paid by Benefited Entity	Net Amount Outstanding
Governmental Activities			
County of Ionia SDS #2	\$ 3,050,000	\$ 3,050,000	\$ -
Michigan State Revolving Loan Fund - SDS	\$ 1,225,000	\$ 1,225,000	\$ -
County of Ionia - Health Building	\$ 395,000	\$ -	\$ 395,000
County of Ionia - City of Ionia Water/Sewer	\$ 4,125,000	\$ 4,125,000	\$ -
County of Ionia - City of Ionia Water/Sewer	\$ 3,675,000	\$ 3,675,000	\$ -
County of Ionia - City of Ionia Water/Sewer	\$ 1,475,000	\$ 1,475,000	\$ -
County of Ionia Subtotal	\$ 13,945,000	\$ 13,550,000	\$ 395,000
Component Units			
Transportation Fund Bonds	\$ 200,000	\$ 200,000	\$ -
2005 Road Commission Installment Loan	\$ 42,340	\$ 42,340	\$ -
2006 Road Commission Installment Loan	\$ 95,000	\$ 95,000	\$ -
Various Drainage District Bonds	\$ 1,645,516	\$ 1,645,516	\$ -
Total Outstanding Debt	\$ 15,927,856	\$ 15,532,856	\$ 395,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Because of its location between the metropolitan areas of Grand Rapids and Lansing, Ionia County has enjoyed stable growth in its property tax collection as a result of new construction on both the east and west sides of the county.

The Michigan Legislature has also provided some stability in revenue sharing payments to counties, which amounts to approximately 10 percent of the County's General Fund, although Ionia County can only rely on this stability through 2009.

Rising costs for wages and benefits, particularly health insurance, an increased demand for services, and the need for greater court security will have significant impacts on future county budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Any questions about this report, or requests for additional financial information, may be directed to:

Ionia County Administration
Finance Department
100 West Main Street
Ionia, MI 48846

BASIC FINANCIAL STATEMENTS

Ionia County, Michigan

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,856,442	\$ 1,666,346	\$ 10,522,788	\$ 360,501
Investments	2,681,043	699,938	3,380,981	1,146,649
Receivables	842,824	1,429,893	2,272,717	454,940
Due from other governmental units	14,257,233	327	14,257,560	1,031,735
Inventories	-	-	-0-	460,969
Prepays	7,015	-	7,015	124,991
Total current assets	26,644,557	3,796,504	30,441,061	3,579,785
Noncurrent assets				
Investments	163,476	698,218	861,694	-
Capital assets not being depreciated	331,075	210,060	541,135	12,463,180
Capital assets, net of accumulated depreciation	5,426,411	834,088	6,260,499	32,587,030
Total noncurrent assets	5,920,962	1,742,366	7,663,328	45,050,210
TOTAL ASSETS	32,565,519	5,538,870	38,104,389	48,629,995
LIABILITIES				
Current liabilities				
Accounts payable	286,706	319	287,025	163,418
Accrued liabilities	200,075	133	200,208	75,317
Due to other governmental units	-	-	-0-	197,341
Accrued interest payable	231,702	-	231,702	36,376
Deferred revenue	650,659	-	650,659	-
Advances	-	-	-0-	288,805
Current portion of compensated absences	150,543	-	150,543	-
Current portion of long-term debt	750,521	-	750,521	595,379
Total current liabilities	2,270,206	452	2,270,658	1,356,636
Noncurrent liabilities				
Noncurrent portion of compensated absences	853,077	-	853,077	177,778
Noncurrent portion of long-term debt	13,185,000	-	13,185,000	1,407,477
Total noncurrent liabilities	14,038,077	-0-	14,038,077	1,585,255
TOTAL LIABILITIES	16,308,283	452	16,308,735	2,941,891
NET ASSETS				
Invested in capital assets, net of related debt	5,362,486	1,044,148	6,406,634	43,067,354
Restricted for revenue sharing reserve	2,141,896	-	2,141,896	-
Restricted for other purposes	295,210	-	295,210	-
Unrestricted	8,457,644	4,494,270	12,951,914	2,620,750
TOTAL NET ASSETS	\$ 16,257,236	\$ 5,538,418	\$ 21,795,654	\$ 45,688,104

See accompanying notes to financial statements.

Ionia County, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 6,918,613	\$ 1,997,095	\$ 1,464,576	\$ -	\$ (3,456,942)	\$ -	\$ (3,456,942)	\$ -
Public safety	6,103,876	2,260,318	566,414	-	(3,277,144)	-	(3,277,144)	-
Public works	680,187	16,744	109,657	181,562	(372,224)	-	(372,224)	-
Health and welfare	4,550,219	471,105	2,233,194	-	(1,845,920)	-	(1,845,920)	-
Community and economic development	182,539	-	147,398	-	(35,141)	-	(35,141)	-
Recreation and cultural	102,856	34,505	141,475	-	73,124	-	73,124	-
Interest on long-term debt	713,356	-	-	-	(713,356)	-	(713,356)	-
Total governmental activities	19,251,646	4,779,767	4,662,714	181,562	(9,627,603)	-0-	(9,627,603)	-0-
Business-type activities								
Delinquent Tax Revolving	111,426	861,869	-	-	-	750,443	750,443	-
Airport	164,037	32,280	3,346	-	-	(128,411)	(128,411)	-
Total business-type activities	275,463	894,149	3,346	-0-	-0-	622,032	622,032	-0-
Total primary government	<u>\$ 19,527,109</u>	<u>\$ 5,673,916</u>	<u>\$ 4,666,060</u>	<u>\$ 181,562</u>	(9,627,603)	622,032	(9,005,571)	-0-
Component units								
Road Commission	\$ 7,344,944	\$ 1,262,768	\$ 4,652,413	\$ 3,280,285	-	-	-0-	1,850,522
Drainage Districts	699,906	-	-	586,198	-	-	-0-	(113,708)
Brownfield Redevelopment Authority	196,228	-	196,228	-	-	-	-0-	-0-
Total component units	<u>\$ 8,241,078</u>	<u>\$ 1,262,768</u>	<u>\$ 4,848,641</u>	<u>\$ 3,866,483</u>	-0-	-0-	-0-	1,736,814
General revenues								
Property taxes					7,470,718	-	7,470,718	-
Investment earnings					620,433	2,114	622,547	51,846
Miscellaneous					1,274,638	-	1,274,638	4,170
Transfers					411,000	(411,000)	-0-	-
Total general revenues and transfers					9,776,789	(408,886)	9,367,903	56,016
Change in net assets					149,186	213,146	362,332	1,792,830
Net assets, beginning of the year					16,108,050	5,325,272	21,433,322	43,895,274
Net assets, end of the year					\$ 16,257,236	\$ 5,538,418	\$ 21,795,654	\$ 45,688,104

See accompanying notes to financial statements.

Ionia County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

	General	General Fund Designated	2001 Water and Sewer Bonds
ASSETS			
Cash and cash equivalents	\$ 2,997,936	\$ 1,889,718	\$ 1,646
Investments	-	1,106,537	-
Receivables			
Accounts	30,985	-	-
Taxes	208,267	-	-
Due from other funds	409,000	-	-
Due from other governmental units			
Federal/State	151,207	-	-
Local	113,425	2,778	3,050,000
Prepays	-	-	-
TOTAL ASSETS	\$ 3,910,820	\$ 2,999,033	\$ 3,051,646
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 135,729	\$ 10,681	\$ -
Accrued liabilities	142,065	231	-
Due to other funds	-	-	-
Deferred revenue	8,107	22,954	3,050,000
TOTAL LIABILITIES	285,901	33,866	3,050,000
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	1,646
Building improvements	-	-	-
Unreserved			
Designated for			
Substance abuse services	82,753	-	-
Facilities	-	2,202,500	-
Paid time off	852,000	-	-
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
General fund	2,690,166	-	-
Special revenue funds	-	-	-
Capital projects funds	-	762,667	-
TOTAL FUND BALANCES	3,624,919	2,965,167	1,646
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,910,820	\$ 2,999,033	\$ 3,051,646

See accompanying notes to financial statements.

2004 BPW Construction	2005 BPW Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,099	\$ 1,851	\$ 3,964,192	\$ 8,856,442
-	-	1,737,982	2,844,519
-	-	125,084	156,069
-	-	478,488	686,755
-	-	-	409,000
-	-	439,823	591,030
4,125,000	3,675,000	2,700,000	13,666,203
-	-	7,015	7,015
<u>\$ 4,126,099</u>	<u>\$ 3,676,851</u>	<u>\$ 9,452,584</u>	<u>\$ 27,217,033</u>
\$ -	\$ -	\$ 140,296	\$ 286,706
-	-	57,779	200,075
-	-	409,000	409,000
4,125,000	3,675,000	3,319,598	14,200,659
4,125,000	3,675,000	3,926,673	15,096,440
-	-	7,015	7,015
-	-	292,623	292,623
-	-	284,032	285,678
-	-	101,520	101,520
-	-	-	82,753
-	-	225,000	2,427,500
-	-	212,500	1,064,500
-	-	355,000	355,000
-	-	139,500	139,500
-	-	108,786	108,786
-	-	-	2,690,166
-	-	3,583,032	3,583,032
1,099	1,851	216,903	982,520
1,099	1,851	5,525,911	12,120,593
<u>\$ 4,126,099</u>	<u>\$ 3,676,851</u>	<u>\$ 9,452,584</u>	<u>\$ 27,217,033</u>

Ionia County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2007

Total fund balance - governmental funds **\$ 12,120,593**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 9,816,691	
Accumulated depreciation is	<u>(4,059,205)</u>	
Capital assets, net		5,757,486

Long-term receivables are not available to pay for current period
expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Deferred portion of due from other governments	13,550,000
--	------------

Governmental funds report the effect of issuance costs, premiums, and discounts
when debt is first issued, whereas these amounts are deferred and amortized
in the statement of activities. This amount is the net effect of these differences in
the treatment of long-term debt:

9,479

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct County obligations	(13,945,000)	
Accrued interest payable	(231,702)	
Compensated absences	<u>(1,003,620)</u>	
		<u>(15,180,322)</u>

Net assets of governmental activities **\$ 16,257,236**

See accompanying notes to financial statements.

Ionia County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	General	General Fund Designated	2001 Water and Sewer Bonds
REVENUES			
Taxes	\$ 6,960,445	\$ -	\$ -
Licenses and permits	136,369	-	-
Intergovernmental	1,315,435	330,822	150,000
Charges for services	1,801,415	44,078	-
Fines and forfeits	190,029	-	-
Interest and rents	390,057	129,635	147,484
Other	458,488	88,787	-
TOTAL REVENUES	11,252,238	593,322	297,484
EXPENDITURES			
Current			
General government	5,422,314	194,751	-
Public safety	3,886,482	155,283	-
Public works	234,917	32,000	-
Health and welfare	359,929	-	-
Community and economic development	105,269	3,411	-
Recreation and cultural	-	891	-
Other	345,352	-	-
Capital outlay	-	358,274	-
Debt service	-	-	297,138
TOTAL EXPENDITURES	10,354,263	744,610	297,138
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	897,975	(151,288)	346
OTHER FINANCING SOURCES (USES)			
Transfers in	1,286,199	415,000	-
Transfers out	(1,296,851)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(10,652)	415,000	-0-
NET CHANGE IN FUND BALANCES	887,323	263,712	346
Fund balances, beginning of year	2,737,596	2,701,455	1,300
Fund balances, end of year	\$ 3,624,919	\$ 2,965,167	\$ 1,646

See accompanying notes to financial statements.

2004 BPW Construction	2005 BPW Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 510,273	\$ 7,470,718
-	-	360,523	496,892
75,000	25,000	3,191,084	5,087,341
-	-	2,188,275	4,033,768
-	-	8,323	198,352
185,871	150,871	349,707	1,353,625
-	-	471,861	1,019,136
260,871	175,871	7,080,046	19,659,832
-	-	892,597	6,509,662
-	-	1,672,714	5,714,479
304,324	-	93,801	665,042
-	-	4,009,092	4,369,021
-	-	70,336	179,016
-	-	96,661	97,552
-	-	-	345,352
-	-	37,893	396,167
253,550	175,750	619,809	1,346,247
557,874	175,750	7,492,903	19,622,538
(297,003)	121	(412,857)	37,294
-	-	1,292,851	2,994,050
-	-	(1,286,199)	(2,583,050)
-0-	-0-	6,652	411,000
(297,003)	121	(406,205)	448,294
298,102	1,730	5,932,116	11,672,299
\$ 1,099	\$ 1,851	\$ 5,525,911	\$ 12,120,593

Ionia County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Net change in fund balances - total governmental funds **\$ 448,294**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 248,449	
Depreciation expense	<u>(441,104)</u>	
Excess of depreciation expense over capital outlay		(192,655)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	(670,000)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond discount	(51,631)	
Debt principal retirement	<u>730,000</u>	
		678,369

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(45,478)	
(Increase) in accrued compensated absences	<u>(69,344)</u>	
		<u>(114,822)</u>

Change in net assets of governmental activities	<u>\$ 149,186</u>
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See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,639,271	\$ 27,075	\$ 1,666,346
Investments	699,938	-	699,938
Accounts receivable	-	880	880
Taxes receivable	1,429,013	-	1,429,013
Due from other governmental units	327	-	327
Total current assets	3,768,549	27,955	3,796,504
Noncurrent assets			
Investments	698,218	-	698,218
Capital assets not being depreciated	-	210,060	210,060
Capital assets, net of accumulated depreciation	-	834,088	834,088
Total noncurrent assets	698,218	1,044,148	1,742,366
TOTAL ASSETS	4,466,767	1,072,103	5,538,870
LIABILITIES			
Current liabilities			
Accounts payable	-	319	319
Accrued liabilities	133	-	133
TOTAL LIABILITIES	133	319	452
NET ASSETS			
Invested in capital assets, net of related debt	-	1,044,148	1,044,148
Unrestricted	4,466,634	27,636	4,494,270
TOTAL NET ASSETS	<u>\$ 4,466,634</u>	<u>\$ 1,071,784</u>	<u>\$ 5,538,418</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
OPERATING REVENUES			
Interest and penalties on delinquent taxes	\$ 393,764	\$ -	\$ 393,764
Charges for services	468,105	32,280	500,385
TOTAL OPERATING REVENUES	861,869	32,280	894,149
OPERATING EXPENSES			
Operating expenses	106,468	8,108	114,576
Contracted services	-	23,300	23,300
Salaries	-	1,587	1,587
Fringe benefits	-	893	893
Depreciation	-	115,369	115,369
Other	4,958	14,780	19,738
TOTAL OPERATING EXPENSES	111,426	164,037	275,463
OPERATING INCOME (LOSS)	750,443	(131,757)	618,686
NONOPERATING REVENUES			
Intergovernmental	-	3,346	3,346
Interest revenue	2,114	-	2,114
TOTAL NONOPERATING REVENUES	2,114	3,346	5,460
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	752,557	(128,411)	624,146
TRANSFERS IN (OUT)			
Transfers in	-	4,000	4,000
Transfers out	(415,000)	-	(415,000)
TOTAL TRANSFERS IN (OUT)	(415,000)	4,000	(411,000)
CHANGE IN NET ASSETS	337,557	(124,411)	213,146
Net assets, beginning of year	4,129,077	1,196,195	5,325,272
Net assets, end of year	\$ 4,466,634	\$ 1,071,784	\$ 5,538,418

See accompanying notes to financial statements.

Ionia County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 802,129	\$ 15,739	\$ 817,868
Cash paid to employees and suppliers	(106,594)	(33,058)	(139,652)
Cash paid for employee benefits	-	(893)	(893)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	695,535	(18,212)	677,323
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental	-	3,346	3,346
Transfers in	-	4,000	4,000
Transfers out	(415,000)	-	(415,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(415,000)	7,346	(407,654)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,398,156)	-	(1,398,156)
Maturity of investments	1,733,633	-	1,733,633
Interest revenue	2,114	-	2,114
NET CASH PROVIDED BY INVESTING ACTIVITIES	337,591	-0-	337,591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	618,126	(10,866)	607,260
Cash and cash equivalents, beginning of year	1,021,145	37,941	1,059,086
Cash and cash equivalents, end of year	\$ 1,639,271	\$ 27,075	\$ 1,666,346

Ionia County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2007

	Business-type Activities		
	Delinquent Tax Revolving	Nonmajor Enterprise Fund (Airport)	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 750,443	\$ (131,757)	\$ 618,686
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	115,369	115,369
(Increase) in receivables	(54,994)	(880)	(55,874)
Decrease in due from other governmental units	212	-	212
(Decrease) in accounts payable	-	(881)	(881)
(Decrease) in accrued liabilities	(126)	(63)	(189)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 695,535</u>	<u>\$ (18,212)</u>	<u>\$ 677,323</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 878,434	\$ 283,447
Investments	-	4,630,560
Cash - restricted	93,200	-
TOTAL ASSETS	<u>\$ 971,634</u>	<u>\$ 4,914,007</u>
LIABILITIES		
Due to other governmental units	\$ 721,555	\$ -
Due to individuals and agencies	250,079	-
TOTAL LIABILITIES	<u>\$ 971,634</u>	<u>-0-</u>
NET ASSETS		
Held in trust for pension benefits		<u>4,914,007</u>
TOTAL LIABILITES AND NET ASSETS		<u>\$ 4,914,007</u>

See accompanying notes to financial statements.

Ionia County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2007

	Pension Fund
ADDITIONS	
Investment income	
Interest and dividends	\$ 188,029
Net increase in fair value of investments	<u>43,136</u>
Net investment income	231,165
Contributions	
Employer	262,402
Employee	<u>119,976</u>
Total contributions	<u>382,378</u>
Total additions	613,543
DEDUCTIONS	
Benefit payments	192,610
Administrative expenses	<u>29,644</u>
Total deductions	<u>222,254</u>
CHANGE IN NET ASSETS	391,289
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>4,522,718</u>
End of year	<u><u>\$ 4,914,007</u></u>

See accompanying notes to financial statements.

Ionia County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2007

	Road Commission	Drainage Districts	Brownfield Redevelopment Authority
ASSETS			
Current assets			
Cash and cash equivalents	\$ 327,721	\$ 32,780	\$ -
Investments	-	1,146,649	-
Receivables	8,493	446,447	-
Inventories	460,969	-	-
Prepays	124,991	-	-
Due from other governmental units	900,983	130,752	-
Total current assets	1,823,157	1,756,628	-0-
Noncurrent assets			
Capital assets not being depreciated	12,463,180	-	-
Capital assets, net of accumulated depreciation	26,687,555	5,899,475	-
Total noncurrent assets	39,150,735	5,899,475	-0-
TOTAL ASSETS	40,973,892	7,656,103	-0-
LIABILITIES			
Current liabilities			
Accounts payable	156,883	6,535	-
Accrued liabilities	75,317	-	-
Due to other governmental units	41,585	155,756	-
Accrued interest payable	6,143	30,233	-
Advances	288,805	-	-
Current portion of long-term debt	337,340	258,039	-
Total current liabilities	906,073	450,563	-0-
Noncurrent liabilities			
Noncurrent portion of compensated absences	177,778	-	-
Noncurrent portion of long-term debt	20,000	1,387,477	-
Total noncurrent liabilities	197,778	1,387,477	-0-
TOTAL LIABILITIES	1,103,851	1,838,040	-0-
NET ASSETS			
Invested in capital assets, net of related debt	38,813,395	4,253,959	-
Unrestricted	1,056,646	1,564,104	-
TOTAL NET ASSETS	\$ 39,870,041	\$ 5,818,063	\$ -0-

See accompanying notes to financial statements.

Total Component Units
\$ 360,501
1,146,649
454,940
460,969
124,991
<u>1,031,735</u>
3,579,785
12,463,180
<u>32,587,030</u>
45,050,210
<u>48,629,995</u>
163,418
75,317
197,341
36,376
288,805
<u>595,379</u>
1,356,636
177,778
<u>1,407,477</u>
1,585,255
<u>2,941,891</u>
43,067,354
<u>2,620,750</u>
<u>\$ 45,688,104</u>

Ionla County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Road Commission	\$ 7,344,944	\$ 1,262,768	\$ 4,652,413	\$ 3,280,285	\$ 1,850,522
Drainage Districts	699,906	-	-	586,198	(113,708)
Brownfield Redevelopment Authority	196,228	-	196,228	-	-0-
TOTALS	<u>\$ 8,241,078</u>	<u>\$ 1,262,768</u>	<u>\$ 4,848,641</u>	<u>\$ 3,866,483</u>	<u>1,736,814</u>
General revenues					
Investment earnings					51,846
Miscellaneous					4,170
Total general revenues					<u>56,016</u>
CHANGE IN NET ASSETS					1,792,830
Net assets, beginning of year					<u>43,895,274</u>
Net assets, end of year					<u>\$ 45,688,104</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Ionia, Michigan, was incorporated in 1837, and covers an area of approximately 575 square miles with the County seat located in the City of Ionia. The County operates under an elected Board of Commissioners and provides services to its more than 60,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Ionia County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Ionia County Commission on Aging is responsible for planning and coordinating services for senior citizens. The Board is composed of seven (7) members, of which one (1) is a County Commissioner. The Commission's operations have been blended into the primary government.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Ionia County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Ionia County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Ionia County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Ionia County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed three (3) member board of county road commissioners. The Road Commission is a separate legal entity from the County and they maintain a separate financial and accounting system. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The Brownfield Redevelopment Authority Fund is used to account for administrative costs of the authority. The authority is responsible for promoting the revitalization, redevelopment, and reuse of certain properties. The authority, which is established under MCL 125.2651 et al., is governed by a nine (9) member board appointed by the County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Drainage Districts in the County come under the jurisdiction of the Ionia County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The General Fund Designated accounts for some general fund activities that are recurring in nature as well as the cost of capital outlay expenditures of the general government.
- c. The 2001 Water and Sewer Bonds Fund was established to account for the bond payments of the \$3,600,000 Ionia County Water and Sewer Bonds - Series 2001.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- d. The 2004 BPW Construction Fund accounts for the cost of construction and debt service payments of specific water and sewer projects.
- e. The 2005 BPW Construction Fund accounts for the cost of construction and debt service payments of specific water and sewer projects.
- f. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of delinquent real property taxes, penalties, and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue.

Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, mutual funds, U.S. government securities, and time certificates with an original maturity of 90 days or less.

8. Investments

Investments consist of Pension Fund Securities, U.S. government securities and certificates of deposit with original maturities of greater than 90 days. Investments are recorded at fair value, in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs, special assessments, and accounts receivable related to charges for services.

10. Inventories

Inventories in the Road Commission (Component Unit) Fund are priced at cost as determined on the average cost method. Road Commission inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

11. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**11. Capital Assets - continued****PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 6 years
Drain infrastructure	50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by Ionia County Road Commission as assets with an estimated useful life in excess of two years. No minimum cost is used to record road equipment capital assets. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and Improvements	25 - 50 years
Road Equipment	5 - 8 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	25 - 50 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads has been fully depreciated.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recoding depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditure does not affect the available operating equities of the governmental fund statements.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource.

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Long-Term Obligations - continued

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2007, including related payroll taxes, is recorded in the government-wide financial statements.

14. Deferred Revenue

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred or amounts that have not been earned and are deferred at the fund level and government-wide level.

15. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

16. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

- a. Prior to August 25, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the Board of Commissioners for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue funds. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Administrator is authorized to transfer budget amounts between accounts.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Budgets and Budgetary Accounting - continued

- e. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

17. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately thirty (30) funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan

Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2007, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$10,515,691	\$10,567,162
Certificates of deposit	<u>1,388,450</u>	<u>1,388,450</u>
Total primary government	11,904,141	11,955,612
COMPONENT UNITS		
Checking and savings	360,001	361,806
Certificates of deposit	<u>199,944</u>	<u>199,944</u>
Total component units	559,945	561,750
FIDUCIARY FUNDS		
Checking and savings	1,085,423	1,176,862
Certificates of deposit	<u>200,000</u>	<u>200,000</u>
Total fiduciary funds	<u>1,285,423</u>	<u>1,376,862</u>
TOTAL REPORTING ENTITY	<u>\$13,749,509</u>	<u>\$13,894,224</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2007, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$990,871 and the amount of \$12,903,353 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDInvestments

As of December 31, 2007, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Federal Farm Credit Bank	\$ 74,531	\$ 74,531	Aaa	9 months
Federal National Mortgage Association	406,817	406,817	Aaa	8 months
Federal Home Loan Bank	1,873,187	1,873,187	Aaa	9 months
Federal Home Loan Mortgage Association	<u>499,690</u>	<u>499,690</u>	Aaa	65 months
	2,854,225	2,854,225		
COMPONENT UNIT				
Federal Home Loan Bank	<u>946,705</u>	<u>946,705</u>	Aaa	7 months
	<u>\$ 3,800,930</u>	<u>\$ 3,800,930</u>		

The County has investments purchased for the County employee's Pension Trust Fund through Commonwealth Financial Network. Michigan Compiled Law, Section 38.1121 authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2007, the market value, which is the carrying amount of the pension trust plans assets, is \$4,600,218. The pension trust fund assets include uninsured and unregistered investments for which the securities are held, by the carrier's trust departments by not in the County's name.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2007, rating information on the County's investments is presented above.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**Custodial credit risk**

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in this investment policy
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with this investment policy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$10,522,788	\$ 360,501	\$ 1,161,881	\$12,045,170
Cash - restricted	-	-	93,200	93,200
Investments	<u>4,242,675</u>	<u>1,146,649</u>	<u>4,630,560</u>	<u>10,019,884</u>
	<u>\$14,765,463</u>	<u>\$ 1,507,150</u>	<u>\$ 5,885,641</u>	<u>\$22,158,254</u>

The primary government and component unit cash and cash equivalents captions on the financial statements include \$7,097 and \$500 in imprest cash respectively.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at December 31, 2007:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 409,000</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 1,286,199</u>
Transfers to General Fund Designated from:	
Delinquent Tax Revolving Fund	<u>\$ 415,000</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 1,292,851</u>

Transfers to nonmajor enterprise funds from:	
General Fund	<u>\$ 4,000</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, 3) move delinquent tax revolving fund reserves to finance various capital improvements.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

Primary Government

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
Governmental activities				
Capital assets not being depreciated				
Land	\$ 331,075	\$ -	\$ -	\$ 331,075
Capital assets being depreciated				
Buildings and improvements	7,647,269	47,472	-	7,694,741
Equipment and furniture	807,251	133,038	-	940,289
Vehicles	<u>839,227</u>	<u>67,939</u>	<u>56,580</u>	<u>850,586</u>
Total capital assets being depreciated	9,293,747	248,449	56,580	9,485,616
Less accumulated depreciation for				
Buildings and improvements	(2,679,420)	(160,521)	-	(2,839,941)
Equipment and furniture	(516,127)	(134,512)	-	(650,639)
Vehicles	<u>(479,134)</u>	<u>(124,538)</u>	<u>(35,047)</u>	<u>(568,625)</u>
Total accumulated depreciation	<u>(3,674,681)</u>	<u>(419,571)</u>	<u>(35,047)</u>	<u>(4,059,205)</u>
Net capital assets being depreciated	<u>5,619,066</u>	<u>(171,122)</u>	<u>21,533</u>	<u>5,426,411</u>
Capital assets, net	<u>\$ 5,950,141</u>	<u>\$ (171,122)</u>	<u>\$ 21,533</u>	<u>\$ 5,757,486</u>

The current year depreciation expense of \$419,571 has been adjusted by \$21,533 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 102,305
Public safety	253,625
Public works	2,056
Recreation and cultural	3,370
Health and welfare	<u>79,748</u>
Total depreciation expense	<u>\$ 441,104</u>

Ionía County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 210,060	\$ -	\$ -	\$ 210,060
Capital assets being depreciated				
Buildings and improvements	1,885,170	-	-	1,885,170
Equipment	<u>4,016</u>	<u>-</u>	<u>-</u>	<u>4,016</u>
Total capital assets being depreciated	1,889,186	-0-	-0-	1,889,186
Accumulated depreciation				
Buildings and improvements	(935,713)	(115,369)	-	(1,051,082)
Equipment	<u>(4,016)</u>	<u>-</u>	<u>-</u>	<u>(4,016)</u>
Total accumulated depreciation	<u>(939,729)</u>	<u>(115,369)</u>	<u>-0-</u>	<u>(1,055,098)</u>
Net capital assets being depreciated	<u>949,457</u>	<u>(115,369)</u>	<u>-0-</u>	<u>834,088</u>
Capital assets, net	<u>\$ 1,159,517</u>	<u>\$(115,369)</u>	<u>\$ -0-</u>	<u>\$ 1,044,148</u>

Component Unit - Drainage Districts

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Component Unit - Drainage Districts				
Capital assets being depreciated				
Drains	\$ 7,777,220	\$ 79,500	\$ -	\$ 7,856,720
Less accumulated depreciation for				
Drains	<u>(1,800,111)</u>	<u>(157,134)</u>	<u>-</u>	<u>(1,957,245)</u>
Capital assets, net	<u>\$ 5,977,109</u>	<u>\$(77,634)</u>	<u>\$ -0-</u>	<u>\$ 5,899,475</u>

Component Unit - Road Commission

	<u>Balance Jan. 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2007</u>
Component Unit - Road Commission				
Capital assets not being depreciated				
Land	\$ 79,821	\$ -	\$ -	\$ 79,821
Land improvements	11,924,478	363,421	-	12,287,899
Construction in progress	-	15,460	-	15,460
Right of Ways	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Subtotal	12,084,299	378,881	-0-	12,463,180

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

Component Unit - Road Commission

	Balance Jan. 1, 2007	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2007
Component Unit - Road Commission - continued				
Capital assets being depreciated				
Buildings and improvements	\$ 2,482,222	\$ -	\$ -	\$ 2,482,222
Road Equipment	5,648,218	154,291	6,719	5,795,790
Shop Equipment	169,867	-	-	169,867
Office Equipment	122,572	8,871	-	131,443
Engineering Equipment	84,621	2,693	-	87,314
Infrastructure - Bridges	11,444,820	-	-	11,444,820
Infrastructure - Roads	24,739,659	2,735,549	3,003,396	24,471,812
Depletable assets - Gravel Pits	10,080	-	-	10,080
Subtotal	44,702,059	2,901,404	3,010,115	44,593,348
Less accumulated depreciation for				
Buildings and improvements	(818,227)	(67,715)	-	(885,942)
Road Equipment	(4,652,357)	(388,041)	(6,667)	(5,033,731)
Shop Equipment	(74,034)	(11,924)	-	(85,958)
Office Equipment	(109,345)	(6,037)	-	(115,382)
Engineer's Equipment	(49,007)	(13,682)	-	(62,689)
Infrastructure - Bridges	(2,260,238)	(242,328)	-	(2,502,566)
Infrastructure - Roads	(11,188,670)	(1,034,251)	(3,003,396)	(9,219,525)
Subtotal	(19,151,878)	(1,763,978)	(3,010,063)	(17,905,793)
Capital assets being depreciated, net	25,550,181	1,137,426	(52)	26,687,555
Total capital assets, net	\$37,634,480	\$ 1,516,307	\$ (52)	\$ 39,150,735

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long term debt (including current portion) of the County for the year ended December 31, 2007:

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations - Bonds	\$ 14,675,000	\$ -	\$ 730,000	\$ 13,945,000	\$ 760,000
Accrued compensated absences	934,276	69,344	-	1,003,620	150,543
	15,609,276	69,344	730,000	14,948,620	910,543
Less deferred amounts on refunding	61,110	-	51,631	9,479	9,479
TOTAL PRIMARY GOVERNMENT	15,548,166	69,344	678,369	14,939,141	901,064

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

	Balance <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2007</u>	Amounts Due Within <u>One Year</u>
COMPONENT UNITS					
Drainage Districts					
Drain bonds and notes	\$ 1,750,563	\$ 190,600	\$ 295,647	\$ 1,645,516	\$ 258,039
Road Commission					
MTF Bonds	390,000	-	190,000	200,000	200,000
Installment loans	273,253	-	135,913	137,340	137,340
Accrued compensated absences	174,769	3,009	-	177,778	-
Retiree life insurance liability	20,000	-	-	20,000	-
Total Road Commission	<u>858,022</u>	<u>3,009</u>	<u>325,913</u>	<u>535,118</u>	<u>337,340</u>
TOTAL COMPONENT UNITS	<u>2,608,585</u>	<u>193,609</u>	<u>621,560</u>	<u>2,180,634</u>	<u>595,379</u>
TOTAL REPORTING ENTITY	<u>\$ 18,156,751</u>	<u>\$ 262,953</u>	<u>\$ 1,299,929</u>	<u>\$ 17,119,775</u>	<u>\$ 1,496,443</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct County Obligations - Bonds

Bonds payable at December 31, 2007 is as follows:

\$3,600,000 Ionia County Water and Sewer Bonds - Series 2001, dated August 1, 2001, due in annual installments from \$150,000 to \$300,000 through August 1, 2020, with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	\$ 3,050,000
\$6,382,251 Ionia County Michigan State Revolving Loan Fund (Ionia Area Disposal System, No. 1 Bonds) - Series 1990, dated August 28, 1990, due in annual installments ranging from \$400,000 to \$415,000 through October 1, 2010, with interest of 2.00 percent, payable semi-annually.	1,225,000
\$580,000 Ionia County Health Department Building Refunding Bonds - Series 2003, dated December 3, 2003, due in annual installments ranging from \$60,000 to \$75,000 through June 1, 2013, with interest ranging from 2.70 to 4.00 percent, payable semi-annually.	395,000
\$4,200,000 Ionia County Water and Sewer Improvement Bonds - Series 2004, dated April 1, 2004, due in annual installments ranging from \$75,000 to \$300,000 through August 1, 2029, with interest ranging from 3.00 to 4.60 percent, payable semi-annually.	4,125,000
\$3,700,000 Ionia County Water and Sewer Improvement Bonds - Series 2005A, dated May 1, 2005, due in annual installments ranging from \$50,000 to \$275,000 through August 1, 2029, with interest ranging from 3.50 to 4.50 percent, payable semi-annually.	3,675,000
\$1,500,000 Ionia County Water and Sewer Improvement Bonds - Series 2006, dated May 1, 2006, due in annual installments ranging from \$25,000 to \$100,000 through August 1, 2029, with interest ranging from 4.60 to 6.00 percent, payable semi-annually.	<u>1,475,000</u>
	<u>\$13,945,000</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$1,003,620 for vacation and sick at December 31, 2007, \$150,543 has been recorded as a current liability, and \$853,077 has been reported as a noncurrent liability.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain notes. These projects are administered by the Ionia County Drain Commission for various local drainage districts. The drain notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable at December 31, 2007, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2021.	<u>\$ 1,645,516</u>
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COMPONENT UNIT - ROAD COMMISSION

1998 MTF Bonds

The Road Commission is obligated for Michigan Transportation Fund Bonds, dated February 1, 1998, in the original amount of \$1,730,000.	<u>\$ 200,000</u>
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Installment Loans

In August 2005, the Road Commission borrowed \$123,000 for the purchase of a loader. The loan is payable annually with interest of 3.37percent.	\$ 42,340
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In August 2006, the Road Commission borrowed \$190,000 for the purchase of two dump trucks. The loan is payable annually with interest of 5.10 percent.	<u>95,000</u>
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	<u>\$ 137,340</u>
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Accrued Compensated Absences

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$137,544 and \$40,234 for vacation and sick, respectively, at December 31, 2007. This amount, \$177,778, has been reported as a noncurrent liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Retiree Life Insurance Liability

During 1995, the Road Commission elected to become self-insured with respect to retirees life insurance benefits, as it relates to existing retirees. Employees who retire from the Road Commission after 1995 are no longer granted life insurance at retirement, through contract negotiations. However, employees who retired prior to the effective date of the current employee contract were granted life insurance coverage upon retirement. The Road Commission decided not to continue paying the premiums on the existing policies and to pay the death benefits from future resources. Accordingly, a liability for retirees life insurance benefits was recorded in the government-wide statements in the amount of \$20,000 which represents the maximum remaining amount of death benefits to be paid to beneficiaries.

The annual requirements to pay the debt principal and interest outstanding for the above Bonds, Notes, and Installment Loans are as follows:

Primary Government

<u>Year Ending December 31,</u>	<u>Direct County Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 760,000	\$ 576,056
2009	800,000	494,739
2010	875,000	532,144
2011	465,000	506,028
2012	545,000	487,369
2013-2017	2,900,000	2,075,025
2018-2022	3,175,000	1,354,413
2023-2027	3,075,000	733,324
2028-2029	<u>1,350,000</u>	<u>78,388</u>
	<u>\$13,945,000</u>	<u>\$ 6,837,486</u>

Component Units

<u>Year Ending Dec. 31,</u>	<u>Drainage District Drain Notes</u>		<u>Road Commission</u>			
			<u>MTF Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 258,039	\$ 71,307	\$ 200,000	\$ 8,500	\$ 137,340	\$ 4,685
2009	225,872	59,440	-	-	-	-
2010	208,539	49,841	-	-	-	-
2011	178,783	40,844	-	-	-	-
2012	174,783	33,175	-	-	-	-
2013-2017	433,167	83,119	-	-	-	-
2018-2021	<u>166,333</u>	<u>12,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,645,516</u>	<u>\$ 350,375</u>	<u>\$ 200,000</u>	<u>\$ 8,500</u>	<u>\$ 137,340</u>	<u>\$ 4,685</u>

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT (EXCLUDING SHERIFF DEPARTMENT AND CENTRAL DISPATCH)

Plan Description

The County participates in the County of Ionia Pension Plan, a single employer defined benefit pension plan that covers all employees of the County except the Sheriff's Department and Central Dispatch. The plan provides retirement, disability and death benefits to members and their beneficiaries. The County of Ionia Pension Plan issues a publicly available financial report which may be obtained by writing to the County of Ionia, 100 West Main Street, Courthouse, Ionia, Michigan 48846.

Annual Pension Cost

For the year ended December 31, 2007 the County's annual pension cost of \$262,402 for the plan was equal to the County's required contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005 using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 7.0% and (2) projected salary increases of 3.5% per year compounded annually, attributable to inflation. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 3,984,000	\$ 4,330,169	\$ 4,817,168
Actuarial accrued liability (AAL) (entry age)	5,250,096	5,581,993	6,140,641
Unfunded AAL	1,266,096	1,251,824	1,323,473
Funded ratio	76%	78%	78%
Covered payroll	3,134,630	3,632,150	3,716,068
UAAL as a percentage of covered payroll	40%	34%	36%

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 231,864	\$ 275,282	\$ 262,402
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

SHERIFF DEPARTMENT AND CENTRAL DISPATCH

Plan Description

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public employee retirement system for its Sheriff Department and Central Dispatch employees. MERS is authorized and operated under State law, Act 135 of Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SHERIFF DEPARTMENT AND CENTRAL DISPATCH - CONTINUED

Annual Pension Cost

For the year ended December 31, 2007 the County's annual pension cost of \$191,318 for the plan was equal to the County's required contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005 using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 2,284,759	\$ 2,648,106	\$ 3,122,716
Actuarial accrued liability (AAL) (entry age)	2,868,463	3,269,615	3,934,369
Unfunded AAL	583,704	621,509	811,653
Funded ratio	80%	81%	79%
Covered payroll	2,390,063	2,467,631	2,647,053
UAAL as a percentage of covered payroll	24%	25%	31%

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 239,498	\$ 275,263	\$ 191,318
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

COMPONENT UNIT - ROAD COMMISSION

Plan Description

The Commission participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time employees are covered by the retirement system.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**COMPONENT UNIT - ROAD COMMISSION - CONTINUED**Funding Policy

The plan adopted by the Board of Commissioners requires all employees to contribute 3% of their annual compensation. The Road Commission is required to contribute at an actuarially determined rate; the weighted average rate for 2007 was 27.57% for all employees. The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

During the calendar year ended December 31, 2007, the Road Commission's contributions totaling \$508,376 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age actuarial cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit and (4) the assumption that benefits will increase 2.5% per year after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return and includes as an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over a period of 30 years.

THREE-YEAR TREND INFORMATION

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 474,759	100 %	\$ -0-
2006	500,564	100	-0-
2007	508,376	100	-0-

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$ 3,929,649	\$11,470,308	\$ 7,540,659	35 %	\$ 1,789,504	422 %
12/31/05	4,129,025	11,959,270	7,830,245	35	1,832,290	427
12/31/06	4,335,091	12,240,077	7,904,986	35	1,763,406	448

NOTE H: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I: ROAD COMMISSION FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended December 31, 2007, the Federal aid received and expended by the Ionia County Road Commission was \$1,514,659 for contracted projects. The Road Commission neither received nor expended any federal money for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission. Due to these facts, all of these funds have been excluded from the County's Single Audit, which is presented under separate cover.

NOTE J: RISK MANAGEMENT

The County participates in a pool, the Michigan Counties' Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Ionia County with loss protection for general liability, vehicle physical damage, property damage and losses due to crime.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Ionia County with loss protection for general and auto liability, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General liability	\$ 150,000
Vehicle physical damage coverage	15,000
Property and crime coverage	100,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J: RISK MANAGEMENT - CONTINUED

In addition, the Authority has accumulated resources to create and fund an Internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$186,000 net of reinsurance for any one (1) member in any one (1) year. Aggregate paid losses in excess of \$186,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund resources are insufficient to fund losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2007, the County had funds on deposit of \$33,818 with the Authority in the Member Retention Funds. The Authority's reported reserves at December 31, 2007 for reported claims related to the County were \$329,454.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter local agreements) to form group self-insurances pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Ionia County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability.

The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self-Insurance Fund for workers' compensation self-insurance. The fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission continued to carry commercial insurance for employee health and accident insurance. The amount of settlement claims for the past three years has not exceeded insurance coverage.

NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's Summer 2007 ad valorem taxes for County general operating purposes were levied and collectible on July 1, 2007. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Summer 2007 tax levy has been recognized as revenue in the current fiscal year. The 2007 taxable value of Ionia County amounted to \$1,490,895,605 on which ad valorem taxes levied for County general operating purposes consisted of 4.6434 mills.

The County levies taxes for the Ionia Counting Commission on Aging continue to be levied in December. The 2006 taxable value of Ionia County amounted to \$1,394,389,402 on which the Ionia County Commission on Aging has levied .3750 mills for services related to the aging within the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of December 31, 2007:

PRIMARY GOVERNMENT	
Special Revenue Funds	
Commission on Aging Fund	
Reserved for prepaids	\$ 7,015
Central Dispatch Fund	
Reserved for building improvements	101,520
Permanent Fund	
Cemetery Perpetual Care Fund	
Reserved for perpetual care	292,623
Debt Service Funds	
2001 Water and Sewer Bonds Fund	
Reserved for debt service	1,646
Sewer System Bonds Fund	
Reserved for debt service	11,058
Health Building Debt Fund	
Reserved for debt service	<u>272,974</u>
TOTAL REPORTING ENTITY	<u>\$ 686,836</u>

The following are the various fund balance designations as of December 31, 2007:

PRIMARY GOVERNMENT	
General Fund	
Designated for	
Substance abuse services	\$ 82,753
Paid time off	<u>852,000</u>
	934,753
Special Revenue Funds	
Child Care Fund	
Designated for paid time off	8,000
Parks and Recreation Fund	
Designated for paid time off	3,500
Friend of the Court Fund	
Designated for paid time off	53,500
Public Health Fund	
Designated for	
Paid time off	94,000
Medicaid	355,000
Designated Contributions Fund	
Designated for public safety	108,786

Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Special Revenue Funds - continued	
Central Dispatch Fund	
Designated for	
Paid time off	\$ 50,500
Contingency	139,500
Courts Security Fund	
Designated for	
Facilities	225,000
Paid time off	<u>3,000</u>
	1,040,786
Capital Projects Funds	
General Fund Designated Fund	
Designated for facilities	<u>2,202,500</u>
TOTAL PRIMARY GOVERNMENT	4,178,039
COMPONENT UNIT	
County Drain Fund	
Designated for capital expenditures	<u>1,028,560</u>
TOTAL REPORTING ENTITY	<u>\$ 5,206,599</u>

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2007:

PRIMARY GOVERNMENT	
Governmental Activities	
Revenue Sharing Reserve	\$ 2,141,896
Other Purposes	
Register of Deeds Automation	219,125
Commission on Aging	<u>76,085</u>
	<u>\$ 2,437,106</u>

NOTE N: POST-EMPLOYMENT BENEFITS

COMPONENT UNIT - ROAD COMMISSION

In addition to the pension benefits described in Note G, the Ionia County Road Commission provides post-employment health care to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten or twenty years of service, depending on position. Expenditures for post-employment health care benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2007 these costs amounted to approximately \$258,575 with 34 eligible participants.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE N: POST-EMPLOYMENT BENEFITS - CONTINUED

During 2007, the Road Commission formed a Section 115 Trust to begin prefunding the costs related to post-employment health care. Contributions made to the Retiree Health Care Trust are recognized as expenditures in the Road Commission Operating Fund at the time the contribution is made. During the year, post-employment expenditures were \$100,000 for contributions made to the Retiree Health Care Trust Fund. In preparation for the upcoming reporting change discussed below, the Road Commission established the plan to hold and invest monies that will be used to fund future retiree health benefit obligations. The trust had a balance of \$100,000 on December 31, 2007. The Road Commission has included the retiree health care benefit plan in the December 31, 2007 financial statements as a trust fund. The Road Commission is not required to begin including the post-employment accrual in its financial statements until 2008 as described below.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently related Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the budgetary comparison schedules shown as required supplementary information to the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the functional classification level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2007, the County incurred expenditures in the General Fund and two (2) Special Revenue funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Transfers out			
OCYS Basic Grant	\$ -	\$ 1,972	\$ 1,972
Revenue Sharing Reserve Fund	1,109,000	1,109,668	668
Elections Fund	20,000	35,056	15,056

REQUIRED SUPPLEMENTARY INFORMATION

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 6,200,000	\$ 6,200,000	\$ 6,954,450	\$ 754,450
Mobile home park taxes	7,000	7,000	5,995	(1,005)
Total taxes	6,207,000	6,207,000	6,960,445	753,445
Licenses and permits				
Dog licenses	160,000	160,000	136,194	(23,806)
Business licenses	-	-	175	175
Total licenses and permits	160,000	160,000	136,369	(23,631)
Intergovernmental - Federal/State				
Emergency management	17,000	17,000	7,252	(9,748)
Homeland security	1,000	47,411	33,716	(13,695)
Cooperative reimbursement - Prosecutor	71,600	71,600	61,185	(10,415)
Probate judge's salary	146,804	146,804	147,975	1,171
Circuit judge's salary	94,191	94,191	79,680	(14,511)
District judge's salary	45,724	45,724	45,724	-0-
Juvenile officer	27,300	27,300	27,317	17
Juvenile transportation	6,000	6,000	6,499	499
Inmate trial	45,000	45,000	26,469	(18,531)
Court equity	275,000	275,000	321,874	46,874
Jury fees	22,000	22,000	19,005	(2,995)
Victim's Rights Act	44,845	77,926	52,278	(25,648)
Sheriff secondary road patrol	103,500	98,205	100,980	2,775
Cigarette tax	34,362	34,362	29,689	(4,673)
Marine safety	9,275	6,120	6,117	(3)
Remonumentation	81,392	81,392	81,392	-0-
Liquor law enforcement	162,334	162,334	160,115	(2,219)
Highway safety planning	52,500	65,150	50,559	(14,591)
CMET	69,900	60,110	34,690	(25,420)
Other	9,500	25,450	18,845	(6,605)
Total intergovernmental - Federal/State	1,319,227	1,409,079	1,311,361	(97,718)
Intergovernmental - Local	26,000	28,500	4,074	(24,426)

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit Court	\$ 93,000	\$ 93,000	\$ 84,503	\$ (8,497)
District Court	913,100	913,100	840,022	(73,078)
Probate Court	33,000	33,000	24,845	(8,155)
County Treasurer	3,000	3,000	5,934	2,934
County Clerk	68,000	68,000	64,108	(3,892)
Register of Deeds	500,000	500,000	416,826	(83,174)
Prosecuting attorney	22,000	22,000	46,706	24,706
Drain Commissioner	10,000	10,000	5,743	(4,257)
Juvenile Court	37,000	37,000	33,728	(3,272)
Sheriff Department	173,000	177,265	190,591	13,326
Jail	22,300	22,300	40,054	17,754
Equalization	6,000	6,000	5,704	(296)
Abstract department	32,000	32,000	26,376	(5,624)
Animal control	12,000	12,000	11,760	(240)
Other	6,000	6,000	4,515	(1,485)
Total charges for services	1,930,400	1,934,665	1,801,415	(133,250)
Fines and forfeits				
Bond forfeitures	25,000	25,000	27,589	2,589
Ordinance finds and cost	170,000	170,000	162,440	(7,560)
Total fines and forfeits	195,000	195,000	190,029	(4,971)
Interest and rents				
Interest on investments	210,000	210,000	355,988	145,988
Rents	34,800	34,800	34,069	(731)
Total interest and rents	244,800	244,800	390,057	145,257
Other				
Reimbursements and refunds	433,040	433,040	443,584	10,544
Other	-	3,810	14,904	11,094
Total other	433,040	436,850	458,488	21,638
TOTAL REVENUES	10,515,467	10,615,894	11,252,238	636,344

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in				
Central Dispatch	\$ 38,617	\$ 38,617	\$ 38,617	\$ -0-
Parks & Recreation	14,385	14,385	-	(14,385)
Friend of the Court	79,290	79,290	-	(79,290)
Public Health	62,223	62,223	62,223	-0-
Resource Recovery	10,393	10,393	-	(10,393)
Commission on Aging	210,865	210,865	-	(210,865)
Child Care	39,251	39,251	39,251	-0-
Revenue Sharing Reserve	1,109,000	1,109,000	1,109,668	668
Building Inspector	36,440	36,440	36,440	-0-
TOTAL OTHER FINANCING SOURCES	1,600,464	1,600,464	1,286,199	(314,265)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 12,115,931	\$ 12,216,358	\$ 12,538,437	\$ 322,079

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Board of Commissioners	\$ 111,950	\$ 104,250	\$ 101,861	\$ 2,389
Circuit Court	628,360	622,860	601,254	21,606
District Court	889,140	916,640	913,643	2,997
Probate Court	474,200	457,200	446,822	10,378
Juvenile Court	405,270	411,070	407,953	3,117
County Administrator	210,550	211,850	207,329	4,521
Finance	231,900	229,400	213,896	15,504
Clerk	209,950	196,350	193,750	2,600
Data processing	211,850	225,150	213,939	11,211
Treasurer	190,900	191,300	189,539	1,761
Equalization	168,350	124,150	120,534	3,616
Cooperative extension	214,220	215,620	213,632	1,988
Elections	22,000	22,000	-	22,000
Courthouse and grounds	714,000	701,400	691,129	10,271
Prosecuting Attorney	552,275	572,106	537,416	34,690
Register of Deeds	138,340	136,840	134,595	2,245
Soil Conservation	10,000	10,000	10,000	-0-
Abstract	55,450	48,750	48,271	479
Remonumentation	81,392	81,392	81,392	-0-
Fleet maintenance	34,700	35,200	35,153	47
Communications	61,000	41,000	24,045	16,955
Other	27,200	37,200	36,161	1,039
Total general government	5,642,997	5,591,728	5,422,314	169,414
Public safety				
Sheriff	1,488,370	1,539,485	1,497,095	42,390
CMET	121,900	88,580	87,563	1,017
Secondary Road Patrol	131,720	128,825	124,349	4,476
Marine safety	9,275	12,430	7,691	4,739
Emergency services	42,490	81,901	40,901	41,000
Jail	1,995,830	2,007,230	1,953,760	53,470
Animal control	181,450	179,650	175,123	4,527
Total public safety	3,971,035	4,038,101	3,886,482	151,619
Public works				
Drain commissioner	158,250	157,350	155,698	1,652
Department of public works	1,300	1,600	1,259	341
Drains at large	80,000	78,000	77,960	40
Total public works	239,550	236,950	234,917	2,033

Ionia County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Health and welfare				
Contagious diseases	\$ 5,000	\$ -	\$ -	\$ -0-
Substance abuse	76,667	76,667	74,994	1,673
Medical examiner	78,000	88,000	86,197	1,803
Veterans	29,800	29,800	28,180	1,620
Aging	2,500	2,500	2,058	442
Mental Health	163,000	168,000	163,000	5,000
Social Welfare	5,500	5,500	5,500	-0-
Total health and welfare	360,467	370,467	359,929	10,538
Community and economic development				
Community development	33,540	48,640	46,081	2,559
Planning department	21,110	6,310	4,188	2,122
Economic development	55,000	55,000	55,000	-0-
Total community and economic development	109,650	109,950	105,269	4,681
Other				
Other	57,000	-	-	-0-
Insurance and bonds	341,500	324,750	304,836	19,914
Record copy	55,500	55,500	40,516	14,984
Total other	454,000	380,250	345,352	34,898
TOTAL EXPENDITURES	10,777,699	10,727,446	10,354,263	373,183
OTHER FINANCING USES				
Transfers out				
Airport	4,000	4,000	4,000	-0-
Public Health	187,256	187,256	183,957	3,299
Resource recovery	23,500	23,500	13,107	10,393
Friend of the Court	79,290	79,290	-	79,290
Law Library	2,000	2,000	2,000	-0-
Soldier's and Sailors relief	200	200	200	-0-
Elections	60,000	60,000	60,000	-0-
Child Care Probate	700,000	925,000	925,000	-0-
Commission on Aging	210,865	210,865	50,000	160,865
OCYS Basic Grant	-	-	1,972	(1,972)
Parks and Recreation	71,000	71,000	56,615	14,385
TOTAL OTHER FINANCING USES	1,338,111	1,563,111	1,296,851	266,260
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 12,115,810	\$ 12,290,557	\$ 11,651,114	\$ 639,443

OTHER SUPPLEMENTARY INFORMATION

Ionia County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET

December 31, 2007

	Special		
	Parks and Recreation	Friend of the Court	Public Health
ASSETS			
Cash and cash equivalents	\$ 24,249	\$ 80,875	\$ 204,786
Investments	-	-	500,625
Accounts receivable	-	-	33,685
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	-	157,340	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 24,249</u>	<u>\$ 238,215</u>	<u>\$ 739,096</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 835	\$ 1,956	\$ 15,843
Accrued liabilities	1,253	12,612	5,238
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	2,088	14,568	21,081
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Building improvements	-	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	3,500	53,500	94,000
Medicaid	-	-	355,000
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	18,661	170,147	269,015
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u>22,161</u>	<u>223,647</u>	<u>718,015</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,249</u>	<u>\$ 238,215</u>	<u>\$ 739,096</u>

Revenue					
Resource Recovery	Building Inspection	Elections	Register of Deeds Automation	Budget Stabilization	Designated Contributions
\$ 87,647	\$ 92,935	\$ 46,659	\$ 144,125	\$ 5,000	\$ 185,496
-	-	-	75,000	-	-
4,622	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,839	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 104,108</u>	<u>\$ 92,935</u>	<u>\$ 46,659</u>	<u>\$ 219,125</u>	<u>\$ 5,000</u>	<u>\$ 185,496</u>
\$ 490	\$ 14,517	\$ 732	\$ -	\$ -	\$ 404
818	1,236	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	76,306
1,308	15,753	732	-0-	-0-	76,710
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	108,786
102,800	77,182	45,927	219,125	5,000	-
-	-	-	-	-	-
102,800	77,182	45,927	219,125	5,000	108,786
<u>\$ 104,108</u>	<u>\$ 92,935</u>	<u>\$ 46,659</u>	<u>\$ 219,125</u>	<u>\$ 5,000</u>	<u>\$ 185,496</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Special		
	Central Dispatch	Community Corrections	Drug Forfeiture
ASSETS			
Cash and cash equivalents	\$ 308,000	\$ 22,479	\$ 24,284
Investments	100,000	-	-
Accounts receivable	75,530	-	-
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	36,877	16,402	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 520,407</u>	<u>\$ 38,881</u>	<u>\$ 24,284</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,891	\$ 3,712	\$ -
Accrued liabilities	16,567	601	-
Due to other funds	-	30,000	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	24,458	34,313	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Building and improvements	101,520	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	50,500	-	-
Medicaid	-	-	-
Contingency	139,500	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	204,429	4,568	24,284
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>495,949</u>	<u>4,568</u>	<u>24,284</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 520,407</u>	<u>\$ 38,881</u>	<u>\$ 24,284</u>

Revenue					
Corrections Training	Vehicle Forfeiture	Special Investigative	Law Library	Commission on Aging	Community Development Block Grant
\$ 6,364	\$ 3,322	\$ 9,340	\$ 1,423	\$ 138,986	\$ 32,302
-	-	-	-	-	-
2,062	-	-	-	8,175	-
-	-	-	-	478,488	-
-	-	-	-	7,015	-
-	-	-	-	141,441	-
-	-	-	-	-	-
<u>\$ 8,426</u>	<u>\$ 3,322</u>	<u>\$ 9,340</u>	<u>\$ 1,423</u>	<u>\$ 774,105</u>	<u>\$ 32,302</u>
\$ -	\$ -	\$ -	\$ 339	\$ 19,084	\$ 2,888
-	-	-	-	15,644	-
-	-	-	-	120,000	-
-	-	-	-	543,292	-
-0-	-0-	-0-	339	698,020	2,888
-	-	-	-	7,015	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,426	3,322	9,340	1,084	69,070	29,414
-	-	-	-	-	-
<u>8,426</u>	<u>3,322</u>	<u>9,340</u>	<u>1,084</u>	<u>76,085</u>	<u>29,414</u>
<u>\$ 8,426</u>	<u>\$ 3,322</u>	<u>\$ 9,340</u>	<u>\$ 1,423</u>	<u>\$ 774,105</u>	<u>\$ 32,302</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	OCYS Basic Grant	Special Juvenile Accountability Block Grant	Child Care
ASSETS			
Cash and cash equivalents	\$ 5,500	\$ 565	\$ 383,315
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	3,750	-	72,174
Local	-	-	-
TOTAL ASSETS	<u>\$ 9,250</u>	<u>\$ 565</u>	<u>\$ 455,489</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,250	\$ -	\$ 70,324
Accrued liabilities	-	-	2,781
Due to other funds	8,000	-	250,000
Deferred revenue	-	-	-
TOTAL LIABILITIES	9,250	-0-	323,105
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	-
Debt service	-	-	-
Building improvements	-	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	-	-	8,000
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	-	565	124,384
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>565</u>	<u>132,384</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,250</u>	<u>\$ 565</u>	<u>\$ 455,489</u>

Revenue				Debt Service	
Soldier and Sailors Relief	Veterans' Trust	Courts Security	Revenue Sharing Reserve	Sewer System Bonds	Health Building Debt
\$ 3,314	\$ 659	\$ 279,470	\$ 1,537,887	\$ 11,058	\$ 98,473
-	-	-	604,009	-	174,501
-	1,010	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,225,000	-
<u>\$ 3,314</u>	<u>\$ 1,669</u>	<u>\$ 279,470</u>	<u>\$ 2,141,896</u>	<u>\$ 1,236,058</u>	<u>\$ 272,974</u>
\$ -	\$ -	\$ 31	\$ -	\$ -	\$ -
-	-	1,029	-	-	-
-	1,000	-	-	-	-
-	-	-	-	1,225,000	-
-0-	1,000	1,060	-0-	1,225,000	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,058	272,974
-	-	-	-	-	-
-	-	225,000	-	-	-
-	-	3,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,314	669	50,410	2,141,896	-	-
-	-	-	-	-	-
<u>3,314</u>	<u>669</u>	<u>278,410</u>	<u>2,141,896</u>	<u>11,058</u>	<u>272,974</u>
<u>\$ 3,314</u>	<u>\$ 1,669</u>	<u>\$ 279,470</u>	<u>\$ 2,141,896</u>	<u>\$ 1,236,058</u>	<u>\$ 272,974</u>

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Debt Service	Capital Projects	Permanent
	2006 BPW Construction	Johnson Road Improvement	Cemetery Perpetual Care
ASSETS			
Cash and cash equivalents	\$ 1,175	\$ 215,728	\$ 8,776
Investments	-	-	283,847
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Prepays	-	-	-
Due from other governmental units			
State	-	-	-
Local	1,475,000	-	-
TOTAL ASSETS	<u>\$ 1,476,175</u>	<u>\$ 215,728</u>	<u>\$ 292,623</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	1,475,000	-	-
TOTAL LIABILITIES	1,475,000	-0-	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Perpetual care	-	-	292,623
Debt service	-	-	-
Building improvements	-	-	-
Unreserved			
Designated for			
Facilities	-	-	-
Paid time off	-	-	-
Medicaid	-	-	-
Contingency	-	-	-
Public safety	-	-	-
Undesignated, reported in			
Special revenue funds	-	-	-
Capital projects funds	1,175	215,728	-
TOTAL FUND BALANCES	<u>1,175</u>	<u>215,728</u>	<u>292,623</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,476,175</u>	<u>\$ 215,728</u>	<u>\$ 292,623</u>

Total
Nonmajor
Governmental
Funds

\$ 3,964,192
1,737,982
125,084
478,488
7,015

439,823
2,700,000

\$ 9,452,584

\$ 140,296
57,779
409,000
3,319,598

3,926,673

7,015
292,623
284,032
101,520

225,000
212,500
355,000
139,500
108,786

3,583,032
216,903

5,525,911

\$ 9,452,584

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Special		
	Parks and Recreation	Friend of the Court	Public Health
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	644,784	974,814
Intergovernmental - Local	-	-	-
Charges for services	11,075	91,733	309,422
Fines and forfeits	-	-	-
Interest and rents	23,430	-	625
Other	1,914	-	195,003
TOTAL REVENUES	36,419	736,517	1,479,864
EXPENDITURES			
Current			
General government	-	726,998	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	1,472,598
Community and economic development	-	-	-
Recreation and cultural	95,479	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	95,479	726,998	1,472,598
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,060)	9,519	7,266
OTHER FINANCING SOURCES (USES)			
Transfers in	56,615	-	183,957
Transfers out	-	-	(62,223)
TOTAL OTHER FINANCING SOURCES (USES)	56,615	-0-	121,734
NET CHANGE IN FUND BALANCES	(2,445)	9,519	129,000
Fund balances, beginning of year	24,606	214,128	589,015
Fund balances , end of year	\$ 22,161	\$ 223,647	\$ 718,015

Revenue					
Resource Recovery	Building Inspection	Elections	Register of Deeds Automation	Budget Stabilization	Designated Contributions
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	348,058	-	-	-	-
36,953	-	-	-	-	-
-	-	-	-	-	-
72,284	-	-	66,745	-	66
-	-	-	-	-	-
-	-	-	10,111	-	-
803	-	20,983	-	-	7,880
110,040	348,058	20,983	76,856	-0-	7,946
-	-	35,056	20,716	-	-
-	349,600	-	-	-	6,763
87,430	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,182
-	-	-	-	-	-
-	-	-	-	-	-
87,430	349,600	35,056	20,716	-0-	7,945
22,610	(1,542)	(14,073)	56,140	-0-	1
13,107	-	60,000	-	-	-
-	(36,440)	-	-	-	-
13,107	(36,440)	60,000	-0-	-0-	-0-
35,717	(37,982)	45,927	56,140	-0-	1
67,083	115,164	-	162,985	5,000	108,785
\$ 102,800	\$ 77,182	\$ 45,927	\$ 219,125	\$ 5,000	\$ 108,786

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	Central Dispatch	Community Corrections	Drug Forfeiture
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	118,824	-
Intergovernmental - Local	-	-	-
Charges for services	1,351,939	-	-
Fines and forfeits	-	-	1,662
Interest and rents	26,078	-	1,252
Other	2,435	-	-
TOTAL REVENUES	1,380,452	118,824	2,914
EXPENDITURES			
Current			
General government	-	-	-
Public safety	1,166,803	114,540	1,229
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	37,893	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,204,696	114,540	1,229
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	175,756	4,284	1,685
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(38,617)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(38,617)	-0-	-0-
NET CHANGE IN FUND BALANCES	137,139	4,284	1,685
Fund balances, beginning of year	358,810	284	22,599
Fund balances , end of year	\$ 495,949	\$ 4,568	\$ 24,284

Revenue					
Corrections Training	Vehicle Forfeiture	Special Investigative	Law Library	Commission on Aging	Community Development Block Grant
\$ -	\$ -	\$ -	\$ -	\$ 510,271	\$ -
-	-	-	-	-	-
-	-	-	-	609,743	67,879
-	-	-	-	-	-
25,329	-	-	-	112,810	-
-	-	-	6,661	-	-
-	-	-	-	-	15
-	-	-	-	213,152	27,492
25,329	-0-	-0-	6,661	1,445,976	95,386
-	-	-	8,260	-	-
33,425	-	354	-	-	-
-	-	-	-	-	-
-	-	-	-	1,441,112	-
-	-	-	-	-	70,336
-	-	-	-	-	-
-	-	-	-	-	-
33,425	-0-	354	8,260	1,441,112	70,336
(8,096)	-0-	(354)	(1,599)	4,864	25,050
-	-	-	2,000	50,000	-
-	-	-	-	-	-
-0-	-0-	-0-	2,000	50,000	-0-
(8,096)	-0-	(354)	401	54,864	25,050
16,522	3,322	9,694	683	21,221	4,364
\$ 8,426	\$ 3,322	\$ 9,340	\$ 1,084	\$ 76,085	\$ 29,414

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	OCYS Basic Grant	Special Juvenile Accountability Block Grant	Child Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	12,465	-	-
Intergovernmental - Federal/State	-	-	279,175
Intergovernmental - local	-	-	-
Charges for services	-	-	48,874
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	12,465	-0-	328,049
EXPENDITURES			
Current			
General government	15,000	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	1,085,081
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	15,000	-0-	1,085,081
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,535)	-0-	(757,032)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,972	-	925,000
Transfers out	-	-	(39,251)
TOTAL OTHER FINANCING SOURCES (USES)	1,972	-0-	885,749
NET CHANGE IN FUND BALANCES	(563)	-0-	128,717
Fund balances, beginning of year	563	565	3,667
Fund balances , end of year	\$ -0-	\$ 565	\$ 132,384

Revenue				Debt Service	
Soldiers and Sailors Relief	Veterans' Trust	Courts Security	Revenue Sharing Reserve	Sewer System Bonds	Health Building Debt
\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -
-	-	-	-	-	-
-	6,050	-	-	-	-
-	-	-	-	427,862	-
-	-	81,254	-	-	-
-	-	-	-	-	-
-	-	-	98,376	-	79,303
300	-	-	-	-	-
300	6,050	81,254	98,378	427,862	79,303
-	-	76,754	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,505	5,796	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	428,130	74,516
4,505	5,796	76,754	-0-	428,130	74,516
(4,205)	254	4,500	98,378	(268)	4,787
200	-	-	-	-	-
-	-	-	(1,109,668)	-	-
200	-0-	-0-	(1,109,668)	-0-	-0-
(4,005)	254	4,500	(1,011,290)	(268)	4,787
7,319	415	273,910	3,153,186	11,326	268,187
\$ 3,314	\$ 669	\$ 278,410	\$ 2,141,896	\$ 11,058	\$ 272,974

Ionia County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Debt Service	Capital Projects	Permanent
	2006 BPW Construction	Johnson Road Improvement	Cemetery Perpetual Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Intergovernmental - Local	25,000	-	-
Charges for services	-	16,744	-
Fines and forfeits	-	-	-
Interest and rents	92,337	9,248	8,932
Other	-	-	1,899
TOTAL REVENUES	117,337	25,992	10,831
EXPENDITURES			
Current			
General government	-	-	9,813
Public safety	-	-	-
Public works	6,371	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	117,163	-	-
TOTAL EXPENDITURES	123,534	-0-	9,813
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,197)	25,992	1,018
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(6,197)	25,992	1,018
Fund balances, beginning of year	7,372	189,736	291,605
Fund balances , end of year	\$ 1,175	\$ 215,728	\$ 292,623

Total
Nonmajor
Governmental
Funds

\$ 510,273
360,523
2,738,222
452,862
2,188,275
8,323
349,707
471,861

7,080,046

892,597
1,672,714
93,801
4,009,092
70,336
96,661
37,893
619,809

7,492,903

(412,857)

1,292,851
(1,286,199)

6,652

(406,205)

5,932,116

\$ 5,525,911

Ionia County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2007

	Trust and Agency	Current Tax	Payroll	Library
ASSETS				
Cash and cash equivalents	\$ 226,453	\$ 234,718	\$ 32,997	\$ 335,603
Cash - restricted	93,200	-	-	-
TOTAL ASSETS	\$ 319,653	\$ 234,718	\$ 32,997	\$ 335,603
LIABILITIES				
Due to other governmental units	\$ 151,234	\$ 234,718	\$ -	\$ 335,603
Due to individuals and agencies	168,419	-	32,997	-
TOTAL LIABILITIES	\$ 319,653	\$ 234,718	\$ 32,997	\$ 335,603

Employee Benefit Account	Inmate Trust	Total Agency Funds
\$ 14,442	\$ 34,221	\$ 878,434
-	-	93,200
<u>\$ 14,442</u>	<u>\$ 34,221</u>	<u>\$ 971,634</u>
\$ -	\$ -	\$ 721,555
14,442	34,221	250,079
<u>\$ 14,442</u>	<u>\$ 34,221</u>	<u>\$ 971,634</u>

Ionia County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2007

	Capital Projects		Internal Service Drain
	County Drain	Brisbin Village Drain	Equipment Revolving
ASSETS			
Cash and cash equivalents	\$ (1,865)	\$ 60	\$ 34,585
Investments	1,146,649	-	-
Special assessments receivable	446,447	-	-
Due from other governmental units	75,657	55,095	-
TOTAL ASSETS	\$ 1,666,888	\$ 55,155	\$ 34,585
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,720	\$ 155	\$ 4,660
Deferred revenue	543,852	-	-
Due to other governmental units	92,756	55,000	8,000
TOTAL LIABILITIES	638,328	55,155	12,660
FUND EQUITY			
Unrestricted net assets	-	-	21,925
Unreserved, designated for capital expenditures	1,028,560	-	-
TOTAL FUND EQUITY	1,028,560	-0-	21,925
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,666,888	\$ 55,155	\$ 34,585

<u>Total</u>	
\$	32,780
	1,146,649
	446,447
	<u>130,752</u>
\$	<u><u>1,756,628</u></u>

\$	6,535
	543,852
	<u>155,756</u>

706,143

	21,925
	<u>1,028,560</u>

	<u>1,050,485</u>
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\$	<u><u>1,756,628</u></u>
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Ionia County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2007

Total fund balance - governmental funds \$ 1,028,560

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	7,856,720	
Accumulated depreciation is	<u>(1,957,245)</u>	
Capital assets, net		5,899,475

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The assets and liabilities of the Internal Service
Fund are included in the governmental activities in the Government-wide
Statement of Net Assets.

21,925

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		543,852
------------------	--	---------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Bonds and notes payable	(1,645,516)	
Accrued interest payable	<u>(30,233)</u>	
		<u>(1,675,749)</u>

Net assets of governmental activities \$ 5,818,063

Ionia County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

	Capital Projects		
	County Drain	Brisbin Village Drain	Total
REVENUES			
Interest and rents	\$ 16,067	\$ -	\$ 16,067
Other			
Special assessments	556,978	-	556,978
TOTAL REVENUES	573,045	-0-	573,045
EXPENDITURES			
Current			
Public works	549,371	-	549,371
Debt service			
Principal	295,647	-	295,647
Interest	77,920	-	77,920
TOTAL EXPENDITURES	922,938	-0-	922,938
EXCESS OF REVENUES (UNDER) EXPENDITURES	(349,893)	-0-	(349,893)
OTHER FINANCING SOURCES			
Bond proceeds	190,600	-	190,600
NET CHANGE IN FUND BALANCES	(159,293)	-0-	(159,293)
Fund balances, beginning of year	1,187,853	-	1,187,853
Fund balances, end of year	\$ 1,028,560	\$ -0-	\$ 1,028,560

Ionia County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ (159,293)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	79,500	
Depreciation expense	<u>(157,134)</u>	(77,634)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets for the internal service funds was: 6,586

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Increase in deferred revenue	29,220
------------------------------	--------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(190,600)	
Bond and note principal retirement	<u>295,647</u>	105,047

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	<u>(1,567)</u>
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Change in net assets of governmental activities \$ (97,641)

Ionia County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

	Drain Equipment Revolving
OPERATING REVENUES	
Charges for services	\$ 34,780
OPERATING EXPENSES	
Contractual services	<u>28,194</u>
CHANGE IN NET ASSETS	6,586
Net assets, beginning of year	<u>15,339</u>
Net assets, end of year	<u><u>\$ 21,925</u></u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
- DRAINAGE DISTRICTS

Year Ended December 31, 2007

	Drain Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from users	\$ 34,780
Cash paid to suppliers	<u>(25,195)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	9,585
Cash and cash equivalents, beginning of year	<u>25,000</u>
Cash and cash equivalents, end of year	<u><u>\$ 34,585</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 6,586
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts payable	<u>2,999</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 9,585</u></u>

Ionia County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended December 31, 2007

REVENUES	
Intergovernmental	\$ 196,228
EXPENDITURES	
Current	
Community and economic development	<u>196,228</u>
NET CHANGE IN FUND BALANCE	-0-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended December 31, 2007.

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Ionia County
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County as of and for the year then ended December 31, 2007, which collectively comprise the Ionia County basic financial statements and have issued our report thereon dated June 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ionia County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ionia County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2006-2 PROPER RECORDING OF REVENUES AND EXPENDITURES

Condition: During the course of our audit it was noted that revenues and expenditures for the Cemetery Trust were being improperly recorded directly to fund balance.

Criteria: Revenues and expenditures should be posted correctly to their respective accounts.

Cause: The County Treasurer has always posted the revenues and expenditures directly to fund balance because the Cemetery Trust Fund used to be considered a fiduciary fund prior to GASB 34. Since the implementation of GASB 34 the Cemetery Trust Fund is now considered a Permanent Fund.

2006-2 PROPER RECORDING OF REVENUES AND EXPENDITURES - CONTINUED

Effect: The financial statements were not in accordance with generally accepted accounting principles due to the misreporting of revenues and expenditures.

Corrective Action Response: This will be corrected in 2008.

2006-3 FRAUD RISK MANAGEMENT

Condition: During the course of our audit it was noted that in the County has not adopted a formal anti-fraud program.

Criteria: A fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Cause: The County was unaware of the need to adopt a fraud risk management program.

Effect: Anti-fraud programs should be part of the County's internal controls to allow employees avenues to communicate fraud to responsible officials of the County.

Corrective Action Response: We have obtained information and are currently formulating policy and procedures.

2006-6 PREPARATION OF FINANCIAL STATEMENTS

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Criteria: All Michigan governments are required to prepare financial statements in accordance with GAAP. This is a responsibility of the government's management. The preparation of financial statement in accordance with GAAP required internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Corrective Action Response: We will begin the process of preparing our own financial statements, and possibly hire an independent contractor to assist.

2007-1 CLERK'S DEPARTMENT PROCEDURES

Condition: During our review of internal controls at the Clerk's Department, we noted several opportunities to strengthen internal controls over the cash receipting procedures. Specifically, we noted that voided receipts are not periodically reviewed by management.

Criteria: Adequate controls over void receipts include management level review, by someone independent of cash receipting and without void capabilities, to ensure appropriateness of all voids.

Cause: Procedures are not currently in place which provides the review required to ensure proper recording of void receipt or compliance with existing controls.

2007-1 CLERK'S DEPARTMENT PROCEDURES - CONTINUED

Effect: Without adequate controls in place, the Clerk's department is exposed to an increased risk of fraud.

Corrective Action Response: The County Clerk has implemented a procedure for voided receipts.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiency described below to be a material weakness in internal control over financial reporting.

2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition accounts receivable, deferred revenue, revenue, depreciation expense and drain control accounts were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the County's internal controls.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: We will review our process for preparing and posting journal entries and make appropriate changes.

Compliance and other matters

As part of obtaining reasonable assurance about whether Ionia County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2007-3 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for one (1) function in the General Fund. Also, two (2) Special Revenue Funds had total expenditures that exceeded the amounts appropriated. A similar issue was noted and reported in our audit comments last year.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

2007-3 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Cause: The County's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for the function of the General Fund and total expenditures for the Special Revenue Funds.

Effect: The County adopted the budget for the General Fund at the functional classification level and at the total fund level for the Special Revenue Funds. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Corrective Action Response: We will continue to monitor expenses against budgets and make appropriate adjustments when necessary.

Ionia County's responses to the findings identified in our audit are described above. We did not audit Ionia County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Ionia County, others within the County, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 23, 2008

Ionia County, Michigan

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2007

Ionia County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Ionia County
Ionia, Michigan

Compliance

We have audited the compliance of Ionia County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Ionia County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ionia County's management. Our responsibility is to express an opinion on Ionia County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ionia County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ionia County's compliance with those requirements.

In our opinion, Ionia County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ending December 31, 2007.

Internal Control Over Compliance

The management of Ionia County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ionia County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ionia County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ionia County as of and for the year ended December 31, 2007, and have issued our report thereon dated June 23, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Ionia County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Ionia County, Michigan and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 23, 2008

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Department of Community Health			
Women, Infants and Children (WIC)			
FY 06-07 Regular	10.557	XX4W1006	\$ 154,511
FY 07-08 Regular		XX4W1006	50,781
			<hr/>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			205,292
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant - State's Program	14.228	MSC-2007-0786-HOA	67,879
U.S. DEPARTMENT OF JUSTICE			
Passed through Office of Community Oriented Police Services			
State Criminal Alien Assistance Program	16.606		
FY 06-07		2007-AP-BK-00510	19,616
FY 07-08		2008-AP-BK-0612	10,387
			<hr/>
			30,003
Bulletproof Vest Partnership Program	16.607	N/A	3,006
Passed through Michigan Department of Community Health			
Office of Drug Control Policy			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
FY 07-08		N/A	34,690
Passed through Michigan Department of Community Health			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	20072310	7,500

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE - CONTINUED			
Passed through Michigan State Police			
Office of Highway Safety Planning			
Youth Alcohol Enforcement Grant	16.727	AL-07-20	\$ 14,075
TOTAL U.S. DEPARTMENT OF JUSTICE			89,274
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan State Police			
Office of Highway Safety Planning			
Enforcement Grant ^(e)	20.600	PT-07-67	32,015
Safe Communities Grant ^(e)	20.601	PT-08-24	4,379
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			36,394
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Michigan Department of Environmental Quality			
State Grants to Reimburse Operations of Small			
Water Systems for Training and Certification Cost	66.471		
FY 06-07		N/A	2,850
FY 07-08		N/A	802
			3,652
State Drinking Water Revolving Fund	66.468		
FY 06-07		N/A	563
FY 07-08		N/A	33
			596
(Direct Program)			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96562501-0	196,228
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			200,476

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan			
Title III-D Special Programs for Aging (In-Home Services)	93.043		
FY 06-07		N/A	\$ 2,453
FY 07-08		N/A	625
			<u>3,078</u>
Title III-B Special Programs for Aging ^{(c) (d)}	93.044		
(Chore, Case Coordination, Homecare Assistance, In-Home Respite, and Information and Assistance)		N/A	11,377
FY 06-07		N/A	5,059
FY 07-08			<u>16,436</u>
Title III-C Special Programs for the Aging ^{(c) (d)}	93.045		
(Nutrition Services)			
FY 06-07 Nutrition Congregate		61.54	107,200
FY 07-08 Nutrition Congregate		61.54	17,044
FY 06-07 Nutrition Home Delivered Meals		61.54	103,500
FY 07-08 Nutrition Home Delivered Meals		61.54	16,755
			<u>244,499</u>
Title III-E Special Programs for Aging	93.052		
(Nation Family Caregiver Support Program)			
FY 06-07		N/A	28,044
FY 07-08		N/A	1,474
			<u>29,518</u>

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan - continued			
Nutrition Services Incentive Program ^{(c) (d)}	93.053		
FY 06-07 Nutrition Congregate		61.54	\$ 16,827
FY 07-08 Nutrition Congregate		61.54	2,988
FY 06-07 Nutrition Home Delivered Meals		61.54	88,337
FY 07-08 Nutrition Home Delivered Meals		61.54	14,176
			<hr/>
			122,328
Passed through Michigan Department of Community Health Family Planning Project			
FY 06-07	93.217	05H000173	37,828
Immunization Grants ^(c)	93.268		
FY 06-07 IAP		H23 CCH522556	24,075
FY 07-08 IAP		H23 CCH522556	7,021
FY 06-07 Vaccine Supply		N/A	185,073
FY 07-08 Vaccine Supply		N/A	59,130
FY 06-07 VFC Site Visits ^(f)		5H23IP522556	2,200
FY 06-07 AFIX ^(f)		5H23IP522556	500
FY 07-08 Vaccine Handling		H23 CCH522556	3,149
			<hr/>
			281,148
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		
FY 06-07			
Focus A		CCU517018	114,143
Pan Flu		CCU517018	55,952
FY 07-08			
Focus A		CCU517018	30,330
Pan Flu		CCU517018	817
			<hr/>
			201,242

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health - continued			
Medicaid Assistance Program			
In-home Services and Waiver	93.778		
FY 06-07		5XX05MI5048	\$ 8,697
FY 07-08		5XX05MI5048	3,200
			<u>11,897</u>
Maternal & Child Health Services Block Grant States	93.994		
FY 06-07 Local MCH		B1MIMCHS	38,715
FY 07-08 Local MCH		B1MIMCHS	12,880
FY 06-07 Family Planning		B1MIMCHS	7,638
FY 06-07 Case Management Services		B1MIMCHS	7,361
FY 07-08 Case Management Services		B1MIMCHS	2,732
			<u>69,326</u>
Passed through Michigan Department of Human Services			
Child Support Enforcement (Title IV-D) ^(c)	93.563		
Cooperative Reimbursement - Friend of the Court ^(a)			
2006-2007		CS/FOC-07-34001	339,549
2007-2008		CS/FOC-08-34001	108,798
Cooperative Reimbursement - Prosecuting Attorney ^(a)			
2006-2007		CS/PA-07-34002	43,868
2007-2008		CS/PA-08-34002	16,383
Federal Incentive Payments - FOC ^(b)			
2006-2007		N/A	<u>147,481</u>
			656,079

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through State Court Administrative Office			
Access and Visitation Grant	93.597		
2006-2007		N/A	\$ 4,300
2007-2008		N/A	1,870
			<u>6,170</u>
Passed through Mid-South Substance Abuse Commission and Michigan Department of Community Health			
FY 07/08 Methamphetamine	93.243	N/A	6,690
FY 07/08 Treatment and Prevention	93.959	N/A	135,116
			<u>141,806</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,821,355
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan Department of Natural Resources			
Boating Safety Financial Assistance	97.012	N/A	6,117
Passed through Michigan Department of State Police			
Emergency Management Division			
Emergency Management Performance Grants	97.042	N/A	7,252
2007			
Homeland Security Grant Program	97.067		
2005		N/A	162,630

Ionia County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - CONTINUED			
Passed through West Michigan Shoreline Regional Development Commission Homeland Security Grant Program 2006	97.067	N/A	\$ 10,995
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>186,994</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,607,664</u>

Ionia County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2007

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Ionia County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (f) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes programs tested as "major programs".
- (d) Program considered a cluster by the U.S. Department of Health and Human Services.
- (e) Program considered a cluster by the U.S. Department of Transportation.
- (f) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the December 31, 2007 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Cooperative Reimbursement - Prosecutor	\$ 61,185	\$ 934	\$ 60,251
Emergency Management	7,252	-	7,252
Marine Safety	6,117	-	6,117
Highway Safety Planning	50,559	90	50,469
Homeland Security	33,716	-	33,716
CMET	34,690	-	34,690
Other Programs	<u>1,117,842</u>	<u>1,117,842</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,311,361	1,118,866	192,495

Ionia County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2007

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED			
SPECIAL REVENUE FUNDS			
Friend of the Court	\$ 644,784	\$ 42,786	\$ 601,998
Public Health	974,814	22,027	952,787
Commission on Aging	609,743	193,884	415,859
Community Development Block Grant	67,879	-	67,879
Community Corrections	118,824	115,818	3,006
Other Programs	<u>322,178</u>	<u>322,178</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,738,222	696,693	2,041,529
CAPITAL PROJECT FUNDS			
General Fund Designated	<u>330,822</u>	<u>153,410</u>	<u>177,412</u>
TOTAL PRIMARY GOVERNMENT	4,380,405	1,968,969	2,411,436
COMPONENT UNITS			
Brownfield Redevelopment Authority	<u>196,228</u>	<u>-</u>	<u>196,228</u>
TOTAL REPORTING ENTITY	<u>\$ 4,576,633</u>	<u>\$ 1,968,969</u>	<u>\$ 2,607,664</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of Ionia County
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Ionia County, Michigan as of and for the year ended December 31, 2007, which collectively comprise Ionia County's basic financial statements and have issued our report thereon dated June 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ionia County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ionia County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described as Findings 2006-2, 2006-3, 2006-6, 2007-1, and 2007-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that Finding 2007-2 described in the schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ionia County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2007-3.

Ionia County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Ionia County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners of Ionia County, others within the County, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 23, 2008

Ionia County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.044, 93.045, 93.053	Commission on Aging Cluster
93.268	Immunizations
93.563	Child Support Enforcement (Title IV-D)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2006-2 PROPER RECORDING OF REVENUES AND EXPENDITURES

Condition: During the course of our audit, it was noted that revenues and expenditures for the Cemetery Trust were being improperly recorded directly to fund balance.

Criteria: Revenues and expenditures should be posted correctly to their respective accounts.

Cause: The County Treasurer has always posted the revenues and expenditures directly to fund balance because the Cemetery Trust Fund used to be considered a fiduciary fund prior to GASB 34. Since the implementation of GASB 34, the Cemetery Trust Fund is now considered a Permanent Fund.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - continued

2006-2 PROPER RECORDING OF REVENUES AND EXPENDITURES - CONTINUED

Effect: The financial statements were not in accordance with generally accepted accounting principles due to the misreporting of revenues and expenditures.

Corrective Action Response: This will be corrected in 2008.

2006-3 FRAUD RISK MANAGEMENT

Condition: During the course of our audit, it was noted that in the County has not adopted a formal anti-fraud program.

Criteria: A fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Cause: The County was unaware of the need to adopt a fraud risk management program.

Effect: Anti-fraud programs should be part of the County's internal controls to allow employees avenues to communicate fraud to responsible officials of the County.

Corrective Action Response: We have obtained information and are currently formulating policy and procedures.

2006-6 PREPARATION OF FINANCIAL STATEMENTS

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Criteria: All Michigan governments are required to prepare financial statements in accordance with GAAP. This is a responsibility of the government's management. The preparation of financial statement in accordance with GAAP required internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Corrective Action Response: We will begin the process of preparing our own financial statements, and possibly hire an independent contractor to assist.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - continued

2007-1 CLERK'S DEPARTMENT PROCEDURES

Condition: During our review of internal controls at the Clerk's Department, we noted several opportunities to strengthen internal controls over the cash receipting procedures. Specifically, we noted that voided receipts are not periodically reviewed by management.

Criteria: Adequate controls over void receipts include management level review, by someone independent of cash receipting and without void capabilities, to ensure appropriateness of all voids.

Cause: Procedures are not currently in place which provides the review required to ensure proper recording of void receipt or compliance with existing controls.

Effect: Without adequate controls in place, the Clerk's department is exposed to an increased risk of fraud.

Corrective Action Response: The County Clerk has implemented a procedure for voided checks.

2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition accounts receivable, deferred revenue, revenue, depreciation expense and drain control accounts were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the County's internal controls.

Recommendation: We recommend that the County take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: We will review our process for preparing and posting journal entries and make appropriate changes.

2007-3 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for one (1) function in the General Fund. Also, two (2) Special Revenue Funds had total expenditures that exceeded the amounts appropriated.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Ionia County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - continued

2006-7 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Cause: The County's budget was not amended as it became apparent that expenditures would exceed the amounts appropriated for the function of the General Fund and total expenditures for the Special Revenue Funds.

Effect: The County adopted the budget for the General Fund at the functional classification level and at the total fund level for the Special Revenue Funds. Having unfavorable budget variances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Corrective Action Response: We will continue to monitor expenses against budgets and make appropriate adjustments when necessary.

Section III - Federal Award Findings and Questioned Costs

None

Ionia County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2007

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

2006-1 Credit Card Policy

Condition: During the course of our audit, it was noted that the County has not adopted a formal written credit card policy as required by Public Act 266 of 1955 (MCL 129.241). Currently the Central Dispatch has a credit card and therefore the County is in violation of this public act.

Resolution: The County has adopted a formal written credit card policy and is now in compliance with Public Act 266 of 1955 (MCL 129.241). This finding is considered resolved.

2006-2 Proper Recording of Revenues and Expenditures

Condition: During the course of our audit, it was noted that revenues and expenditures for the Cemetery Trust were being improperly recorded directly to fund balance. Similarly, debt service fund revenues were being posted to expenditure accounts.

Resolution: For debt service fund revenues being posted to expenditure accounts, this issue was addressed in 2007. For the Cemetery Trust revenues and expenditures being improperly recorded directly to fund balance, this issue was not addressed in 2007. This finding is repeated in the current audit for the Cemetery Trust issue not addressed in 2007.

2006-3 Fraud Risk Management

Condition: During the course of our audit, it was noted that in the County has not adopted a formal anti-fraud program.

Resolution: The County did not adopt a anti-fraud program in 2007. This issue will be repeated in 2007.

2006-4 Fair Market Value of Investments

Condition: During the course of our audit, it was noted that investments are recorded at historical cost, meaning that accrued interest for the County's investments is not being recorded in the general ledger.

Resolution: The County Treasurer has made adjustments to the County's investments to record these investments at fair market value. This issue is considered resolved.

2006-5 Restatement of Net Assets

Condition: During the course of our audit, it was noted that previously issued financial statements were materially misstated. A restatement of net assets has been recorded to reflect the correction of this material misstatement.

Resolution: This issue was not noted during the current audit.

Ionia County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year Ended December 31, 2007

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements - continued.

2006-6 Preparation of Financial Statements

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Resolution: This issue was not resolved during the current audit.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2006-7 Unfavorable Budget Variances

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund.

Resolution: The County has begun the process of monitoring the monthly budget status reports to determine if and when selected items have exceeded their approval appropriation. We did note during the current audit, however, that the County had one transfer out in the general fund that exceeded its budget and two special revenue funds that exceeded their budget. This is considered noncompliance with the provisions of Public Act 2 of 1968, as amended, and this issue is noted in our Schedule of Findings and Questioned Costs for the current audit.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.